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Supreme Court, U. S.
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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1972

No.

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,

Petitioners,

v.

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK

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July 7, 1972

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK

Petitioners, Hayden Publishing Company, Inc. and Hayden Book Company, Inc., respectfully pray that a writ of certiorari issue to review the judgment and opinion of the Court of Appeals of the State of New York entered in this action on February 10, 1972.

Reports of Opinions Below

The opinions in the Court of Appeals of the State of New York (A.5-13) are reported at 30 N.Y.2d 34, 330 N.Y.S. 2d 329, 17 U.S.P.Q. 740 and 40 L.W. 2567 (1972). The opinions in the Appellate Division of the Supreme Court of the State of New York, First Department (A.19-24), are reported at 33 A.D.2d 766 and 306 N.Y.S.2d 599 (1969). In the Supreme Court of the State of New York, County of New York, the trial Justice rendered an oral opinion from the bench (A.33-35) at the close of the trial, September 17, 1968, which was never reported.

Grounds on Which Jurisdiction Is Invoked

The New York Court of Appeals' judgment sought to be reviewed (A.2-4) was dated and entered on February 10, 1972. Petitioners sought a rehearing by timely motion for reargument in March 1972, which was denied, without opinion, by order of the New York Court of Appeals on June 1, 1972 (A.14). On April 27, 1972, an order was made by Mr. Justice Marshall of this Court extending petitioners' time to petition for a writ of certiorari to and including July 9, 1972 (A.1). The statutory provision believed to confer jurisdiction upon this Court to review the judgment in question by writ of certiorari is 28 U.S.C. Sec. 1257(3).

The Question Presented

Does it violate the Sherman Antitrust Act or contravene a doctrine of patent and copyright monopoly mis-use established by the decisions of this Court[1] or a federal public policy favoring free competition reflected thereby,[2] for a statutory copyright proprietor to restrict its publisher licensee, by express or implied agreement in a contract licensing the proprietor's works to the publisher for sale in interstate and foreign commerce, from publishing and selling in such commerce other non-infringing works on the same educational subjects as the licensed works which are "manifestly harmful" competition to the licensed works?

Constitutional and Statutory Provisions Involved

The case implicitly involves Art. I, Sec. 8, cl. 8 of the Constitution, empowering Congress, exclusively of the states, "To promote the Progress of Science and the Useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and

1. *Ethyl Gasoline Corp.* v. *United States,* 309 U.S. 436 (1940), *Morton Salt Co.* v. *Suppinger Co.,* 314 U.S. 448 (1942), *Mercoid Corp.* v. *Mid-Continent Co.,* 320 U.S. 661 (1943), *International Salt Co.* v. *United States,* 332 U.S. 392 (1947), *U.S.* v. *Paramount Pictures,* 334 U.S. 131 (1948), *U.S.* v. *Loew's, Inc.,* 371 U.S. 38 (1962), *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100 (1969). Also, *National Lockwasher Co.* v. *George K. Garrett Co.,* 137 F.2d 255 (3rd Cir., 1943), *McCullough* v. *Kammerer Corp.,* 166 F.2d 759 (9th Cir., 1948), cert. den. 335 U.S. 315, *Park-In Theatres, Inc.* v. *Paramount-Richards Theatres,* 81 F. Supp. 466 and 90 F. Supp. 730 (D. Del.), affd. approvingly 185 F.2d 407 (3rd Cir., 1950), cert. den. 341 U.S. 950.

2. *Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U.S. 225 (1964), *Compco* v. *Day-Brite Lighting Co.,* 376 U.S. 234 (1964), *Lear, Inc.* v. *Adkins,* 395 U.S. 653 (1969).

Discoveries." The case implicitly involves Sec. 1 of the Copyright Act, 17 U.S.C. Sec. 1, defining the rights of a person entitled to statutory copyright under the Copyright Act as certain exclusive rights therein set forth respecting "the copyrighted work." The statutory provisions which the case explicitly involves are Secs. 1 and 2 of the Sherman Antitrust Act which respectively provide that "Every contract . . . in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal," and that "an attempt to monopolize . . . any part of the trade or commerce among the several States, or with foreign nations," is a crime, 15 U.S.C. Secs. 1 and 2.

Statement of the Case

Petitioner Hayden Book Company, Inc. is a book publisher formerly named "John F. Rider Publisher, Inc." which, since its incorporation in 1928, has been engaged in the business of developing and publishing educational books, primarily on science and technology subjects, especially in fields of knowledge involving electricity and electronics (R.I.20, Exh.. 54, Exh. 95).[1] Respondent is the proprietor under the Copyright Act of certain literary works on electricity and electronics fundamentals entitled "Basic Electricity" and "Basic Electronics" (the "Van Valkenburgh

1. The record is divided into several separately paginated parts. References thereto preceded by I. are to Vol. I of the record. References not so preceded as to Vols. II through XV thereof. Exhibits are referred to directly by number and letter because they were filed directly with the courts at each stage of the proceedings below, although many are reproduced in an Exhibits Supplement Volume which accompanies the record.

books''), which the book publisher has been publishing for sale throughout the United States and Canada and selling therein, in interstate and foreign commerce (Exh. 89, R.1285), since approximately 1955 (R.I.21-4), pursuant to the terms of a written copyright license agreement made with respondent in 1954 (A.6).

The agreement (Exh. 1, also R.I.71a-p) is in a form common in the book publishing industry of an exclusive license for royalties. Under it, respondent, as copyright proprietor licensor of the Van Valkenburgh books, while retaining all other rights therein (Exh. 1, para. 8), has granted to the book publisher as licensee the exclusive license of its rights under the Copyright Act, 17 U.S.C. Sec. 1(a), to reproduce, publish and sell them in the United States and Canada (Exh. 1, para. 1) for the duration of the statutory copyrights therein (Exh. 1, para. 13); and the book publisher has agreed to (as it does) pay to respondent specified royalties upon copies of the licensed works it sells (Exh. 1, para. 4) and to ''use its best efforts to promote the sale of the licensed works in both [such] countries'' (Exh. 1, para. 3).

The agreement contains no provision in any way expressly restricting the book publisher's freedom to develop and publish other works competitive with the licensed works. The evidence showed that throughout the negotiations culminating in the agreement, there were no discussions between the parties respecting the book publisher's publication of competing works (R.236-7). The New York Court of Appeals imposed liability in this case by construction of the book publisher's aforesaid ''best efforts to promote'' promise (A.10).

The book publisher had little success in selling the Van Valkenburgh books to bookstores (R.5155) and very limited success in selling them to schools (Exh. 89, R.I.25, R.489, 491-2, 2357-8), the largest segment of the market for books on electricity and electronics fundamentals (R.1968), due to the books' low level treatment of these fields of knowledge (R.1792-3, 1978-81, 2359-60) admitted by respondent (R.5145). But, it had great success in selling them to other segments of the market, principally to electrical parts maintenance stores (R.5154) and to industrial concerns having home study (R.545-6) job training programs for their employees (R.389-90, 491-2). Overall, they became very high profitable "best sellers" for it (R.I.24, A.6) and have yielded very substantial royalties to respondent over the years (R.I.24). Their sales, however, have been gradually declining over the years since 1961 (see Exhs. 57 and 57-A).

In December 1966 and January 1967, the book publisher, while continuing to successfully publish and market the Van Valkenburgh books, commenced publication of other, newer and more comprehensive books on electricity and electronics fundamentals entitled "Electricity One-Seven" and "Electronics One-Seven" (the "Mileaf books"), which had been written for it by a group of writers headed by one Harry Mileaf as editor-in-chief (A.27), which whom it had contracted for their preparation in 1964 (Exhs. 27 through 31).

Those contracts provided that the Mileaf books be "designed so that the information presented" be "broken down into discrete units and heavily [or "highly"] illustrated, "preferably" with "each page" containing "text and an appropriate illustration dealing with a significant

unit of information.'"[1] The evidence showed that the book publisher was then publishing about 40 books on electricity and electronics subjects, inclusive of the Van Valkenburgh books, which might be said to have such a format for presenting their materials (R.1046-7, 1062-3), that other publishers also published books on such subjects having these format characteristics (R.293-4, 2778), and that Mr. Mileaf had previously written materials in such a format (R.4806).

Copies of the Van Valkenburgh and Mileaf books in the various paperback and combined-volume hardbound forms in which they have been published are submitted to the Court with this petition.

As inspection of them shows, the Mileaf books are quite different from the Van Valkenburgh books in appearance. (There has never been a contention in this case that they are confusing.) The Mileaf books are substantially longer works (A.33).[2] They are very different in approach to, or intellectual organization of, the fields of knowledge they in-

1. This appears to be what the New York Court of Appeals had in mind in observing that "The agreements between the publisher and Mileaf and the other writers of the new group of books as to what they were to produce could well be regarded as an exact description of the author's existing books" (A.7). There was no finding that the contracts for the Mileaf books described what "could . . . be regarded" as descriptions of the Van Valkenburgh books in any other respect. On the other hand, the evidence also showed that only 199 pages of Van Valkenburgh's Basic Electricity (38%) and 249 pages of its Basic Electronics (45%) present topics on single pages (Exhs. BE and BI). In contrast, Mileaf's 76% of Mileaf's Electricity and 75% of Mileaf's Electronics do so (Exhs. BE and BI).

2. Van Valkenburgh's Basic Electricity is 566 pages (Exh. BE) and 104,400 words (Exh. 9) long; its Basic Electronics is 627 pages (Exh. BI) and 128,600 words (Exh. 10-A) long. Mileaf's Electricity is 917 pages (Exh. BE) and 174,400 words (Exh. 12-B) in length; his Electronics is 932 pages (Exh. BI) and 216,300 words long (Exh. 14).

volve (R.656), that of Mileaf's Electronics being, as of 1967, uncontrovertedly completely unique among published works on electronics fundamentals (R.3432-8).[1] The Mileaf books are very different from the Van Valkenburgh books in style (R.652, 859-60, 2778, 3948), in level of technical vocabulary used and imported (R.I.44) and pedagogic devices used.[2] Unlike the Van Valkenburgh books which contain no materials to aid an instructor in teaching (R.538-9), the Mileaf books contain some 1,610 unanswered questions for teacher use in assigning student work.

In substantive content, the Mileaf books cover numerous subjects in the fields of electricity and electronics fundamentals not dealt with in the Van Valkenburg books at all (R.884, Exhs. BB and BH).[3] As to subject areas of these fields treated in both works, the Mileaf books provide substantially further mathematical (Exhs. BD and BJ) and

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1. This stipulated-to testimony relates to the approach of the Mileaf Electronics of presenting first a volume entirely on the subject of electronics signals, divorced from circuits, and their manipulation to carry information, followed by a volume on organization of *kinds* of electronics circuits, again without discussing any circuits themselves, in order to construct electronics systems. (See Mileaf's Electronics One, pp. 1-4).

2. The most outstanding pedagogic device used in the Van Valkenburgh books is demonstrations, by which an imaginary instructor (R.538) demonstrates principles to readers to enable home-learners to visualize themselves in a formal classroom environment (R.3948). 86 pages (19%) of Van Valkenburgh's Basic Electricity is devoted to such demonstrations. Mileaf has none. Probably the most outstanding pedagogic device of the Mileaf books is the use of "Solved Problem" sections (5% of the works), which discuss selection of the best mathematical formula to solve electrical problems.

3. The trial court found that 20% to 25% of the Mileaf books were devoted to subjects not presented in the Van Valkenburgh books. As to the Electronics works, the finding understates the case. About 33% of Mileaf's Electronics (310 pages of 932) deals with subjects not dealt with in the Van Valkenburgh Basic Electronics (Exhs. BH and BI).

factual information about them than do the Van Valkenburgh books (R.3212-68, 3626-61). They are much more modern treatments of the fields than are the Van Valkenburgh books (R.855-6, 1458, 1514). The testimonial evidence of all five witnesses in the case who were representatives of the marketplace for books on electricity and electronics fundamentals was to the effect that the Mileaf books were substantially different from the Van Valkenburgh books respecting the levels of readers for whom they were suitable (R.5022-5), depth of education in the fields which they furnished (R.3380, 4318-9), and kinds of educational programs for which they were suited for use (R.3211, 3480, 3866).

Respondent, upon learning of the Mileaf books in January 1967 (R.I.40), brought this action the following month in the Supreme Court of the State of New York, County of New York, for an injunction against their continued publication, a decree directing their physical destruction, for damages and for an accounting for the profits realized from their sale (R.I.64-71).

Its factual and legal contentions as to why it was entitled to any such relief varied and shifted as the case progressed. A contention that the book publisher was its "fiduciary" joint venturer (R.I.121), thus prohibited from publishing competing books (R.5655-6), was accepted by the trial court (R.2129, R.I.57) but rejected by the Appellate Division (A.17). A contention that the Mileaf books were tortious unfair competition to the Van Valkenburgh books was accepted by the trial court (A.34) but rejected by the Appellate Division (A.17). A contention that their publication breached the book publisher's implicit contractual obliga-

tion of good faith and fair dealing to respondent because of their similar format characteristic was rejected by the Appellate Division (A.17). A contention that their publication breached the book publisher's aforesaid implicit contractual obligation because the Mileaf books were intended, conceived or designed for sale in place of the Van Valkenburgh books, so as to cheat respondent of its royalties, was accepted by the trial court (R.I.38, I.58) but rejected by the Appellate Division. A contention, disavowed by respondent before the trial (R.I.121, I.129) but asserted at its close (R.5616), that the Mileaf books were copied from its works, was accepted by the trial court, which found them to be non-verbatim infringements (R.I.37-38), "misappropriated" "versions" (A.33), of the Van Valkenburgh books, but rejected by the Appellate Division, which found that the case not to be for "any copyright infringement of the plaintiff's books," (A.18), and found no breach of the book publisher's implied contractual obligation of fair dealing (A.8) or breach of its contractual obligation not to utilize respondent's materials (Exh. 1, para. 11).

The Appellate Division reversed all of the trial court's finding of fact, as well as its conclusions of law, inconsistent with the Appellate Division's aforesaid views (A.17), but nonetheless itself found and concluded that the book publisher had breached its contractual obligation to use its "best efforts" for the continued promotion and sale of the Van Valkenburgh books (A.17, A.10) for which money damages would furnish respondent adequate relief (A.17); and upon respondent's and petitioners' appeals to the New York Court of Appeals from the Appellate Division's determination, that Court interpreted the determination so as to affirm it, saying:

. "To decide this author-publisher controversy it is necessary to see what the legal effect of the contract between them and the resulting relationships are, and especially what are the rights of a publisher as to the production of other works competing with the specific work of an author's. • • •

Such a contract [as that made here] does not close off the right of a publisher to issue books on the same subject, to negotiate with and pay authors to write such books and to promote them fully according to the publisher's economic interests, even though those later publications adversely affect the contracting author's sales. This general freedom of publishing competition within the same house is demonstrated by the appellant publisher here and it is strongly argued by the Association of American Publishers, Inc., in its brief as *amicus*. • • •

But this general freedom of action of the publisher to produce competing works is not necessarily the answer to this litigation. Although a publisher has a general right to act on its own interests in a way that may incidentally lessen an author's royalties, *there may be a point where that activity is so manifestly harmful to the author, and must have been seen by the publisher so to be harmful, as to justify the court in saying there was a breach of the covenant to promote the author's work.*" (A.9-10, emph. added).

The New York Court of Appeals' judgment in this case is its order made February 10, 1972 (A.2-4), affirming the Appellate Division's order made in this action February 6, 1970 (A.15-18) which determined that the petitioners[1] were

1. Petitioner Hayden Publishing Company, Inc. is a magazine publisher (R.I.19) which acquired all of the stock of the book publisher in August 1961. It has been held liable along with the book publisher solely for the latter's breach of its contractual obligation to respondent, because the New York Court of Appeals viewed the Appellate Division as having affirmed the trial court's findings that it "controlled" its subsidiary's (the book publisher's) actions (A.5-6) after September 1962.

liable solely for breach of the book publisher's contractual obligation to have used "best efforts" to promote the Van Valkenburgh books, and which modified the judgment entered in this action by the trial Justice on December 10, 1968 (A.25-32). The judgment, as thus modified, adjudges that respondent recover all loss or other damage sustained by it "in consequence of the publication of the books 'Electricity One-Seven' and 'Electronics One-Seven'" [the Mileaf books] (A.30-1), and determines, in advance of any trial of the issues of damages before a referee appointed for such purposes (A.31), that petitioners account to respondent "as an item for the ascertaining and calculation of damages" (A.17) for *all* copies of Mileaf's books sold (A.29) and that from the totals accounted for, respondent recover amounts of 15% of the retail list prices of all copies thereof sold, plus amounts for revenues received from the licensing of publication rights therein (A.29).[1]

1. Petitioners wish to make clear that they do not seek certiorari to have this Court review imposition of liability upon them because of any neglect of the book publisher to have promoted the Van Valkenburgh books themselves, as is suggested by the New York Court of Appeals' decision to have occurred during *part* of the time of publication of the Mileaf books (A.7) by observation that a specific magazine advertisement (Exh. 86) for respondent's books was suspended "In early 1967" (A.7), as the trial court found, "through March 1967" (R.I.51), and that the book publisher's sales staff devoted a large portion of its time to the then new Mileaf books for the 8 weeks preceding March 21, 1967 (Exh. 95). There was no evidence of any lack of promotion of the Van Valkenburgh books in 1966, when publication of Mileaf books began (A.7); there was substantial evidence, shown by respondent itself, of their continued promotion during 1967 as a whole (Exhs. 86, 87, 94, R.1324, 1328, 1399-90, 1753, 1833-4, 1862-3, 1925); and there was no evidence respecting any lack of promotion of the Van Valkenburgh books themselves (or, for that matter, of any promotion for the Mileaf books) after 1967, respondent's case in chief having rested (R.2097) on January 25, 1968 (R.1949).

The judgment here does not simply hold petitioners liable for some lack of promotion of the Van Valkenburgh books themselves. The

The Federal Question Has Been Raised Throughout the Case

Respondent's complaint appeared one for breach of contract or relationship arising therefrom (R.I.68) and was so characterized by it in advance of trial (R.I.121). Petitioners' answer thereto specifically alleged as a first affirmative defense, that:

> "If [the book publisher's] obligation pursuant to its agreement with [respondent] were to be construed so as to preclude [the book publisher] . . . from creating, publishing, distributing or selling any books which were competitive with . . . Basic Electricity or Basic Electronics, the provisions of such agreement so construed, would be illegal, unenforceable and of no effect because of illegality thereof pursuant to the Anti-Trust Laws of the United States," (R.I.73).

Petitioners' trial memorandum to the trial court as the case began elaborated this contention by asserting that the case posed the issue of whether the agreement could be enforced if viewed as one extending respondent's copyright monopoly by limiting the book publisher's freedom to publish other books.[1] By then, respondent was also asserting a claim of unfair competition because of similarity of what

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New York Court of Appeals, having stated that respondent was entitled to damages "resulting from the breach" (A.10), affirmed the Appellate Division's order which allows recovery for all "loss or damage" sustained by respondent *"in consequence of the publication"* of the Mileaf books (A.30-1, emp. added). Petitioners' motion for rehearing expressly indicated to the New York Court of Appeals that its judgment was in conflict with its decision unless it intended to hold publication of the Mileaf books to have breached the "best efforts" promise (a view with which respondent then appeared to concur), and the Court of Appeals denied the motion.

1. Petitioners' trial memorandum, p. 10, a copy of which has been filed with the Clerk's office.

it then called the "method" (R.8) and later called the "format" (R.5606) of the Mileaf books to its books; and petitioners' trial memorandum further asserted that state courts could not protect any such "method" from use by others in light of this Court's decisions in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and *Compco* v. *Day-Brite Lighting Co.*, 376 U.S. 234 (1964).[1] The trial court perfunctorily dismissed petitioners' aforesaid defense "for lack of proof and on the law" in its oral decision at the close of the trial (A.35).

Upon the appeal to the Appellate Division, petitioners made the same assertions in their main brief to that court, doing so in terms of an argument asserting impropriety of construing the book publisher's implied contractual obligation of good faith and fair dealing under state law so as to impose restrictions upon its freedom to publish competing books and to extend respondent's copyright monopoly in contravention of federal law and public policy.[2] After this Court's decision in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969) was rendered, petitioners relied upon it as well, in their reply brief to that court.[3] The Appellate Division rejected the trial court's view that unfair competition (A. 17) or a breach of the book publisher's implied contractual obligation of good faith and fair dealing had occurred (A. 8), but did not indicate reliance upon petitioners' federal contentions in its decision doing so (A.19-21).

Upon appeal to the New York Court of Appeals, petitioners made the same contentions in claiming that the

1. Petitioners' trial memorandum, p. 50, a copy of which has been filed with the Clerk's office.

2. Petitioners' main brief to the Appellate Division, pp. 10-11, a copy of which has been filed with the Clerk's office.

3. Petitioners' reply brief to the Appellate Division, p. 5, a copy of which has been filed with the Clerk's office.

Appellate Division was in error in determining them to be liable for breach of the book publisher's "best efforts" promise to promote the Van Valkenburgh books.[1] That Court's decision observed that "patent and copyright licensing agreements . . . are governed by parallel principles" of federal law (A.9), but otherwise ignored petitioners' federal contentions.

Reasons for Granting the Writ

The New York Court of Appeals may be said to have ruled that contractual restrictions upon a copyright or patent licensee's freedom to make and market competing products "are governed by parallel principles," (A.9), and that, thereunder, a licensee's promise to use "best efforts to promote" a licensed product is a lawful and enforceable agreement to refrain from manufacturing and selling competing products viewed by state courts to be "manifestly harmful" to the licensed product (A.10).

The federal question is whether this view of enforceable state law contract rights and imposition of liability for breach of contract based thereon contravenes the Sherman Antitrust Act, improperly allows a patent or copyright monopoly mis-use, or conflicts with a strong federal public policy favoring free competition.

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1. Petitioners' appellants' brief to the New York Court of Appeals, pp. 92-101 thereof, a copy of which has been filed with the Clerk's office.

1. The Issue Is Important Because of the Broad Import of the New York Court of Appeals' View Upon Present and Future Patent and Copyright License Agreements and Because It Encourages Agreements to Restrain Competition and Enlarge Such Monopolies.

Promises by patent and copyright licensees (and assignees) for royalties to diligently, actively, or make "best efforts to" promote sales of licenses products have long been common.[1] The best efforts promise made here has been described by Mr. Curtis G. Benjamin, a dean of American publishing,[2] as "the customary 'best efforts' clause in an author-publisher contract."[3] The commonplace nature of such provisions in such contracts was the obvious reason for the *amicus curiae* briefs submitted to the New York Court of Appeals in this case by the Association of American Publishers, Inc. (A.9) and a major publisher, Harcourt Brace Jovanovich, Inc., not a member thereof.[4]

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1. See, e.g., *Western Geophysical Co.* v. *Bolt Associates, Inc.*, 173 U.S.P.Q. 284 (D. Conn., 1972) (patent licensee's agreement to make best efforts to use and sub-license others to use this device), *Robert F. Kennedy* v. *Engelhard Industries, Inc.*, 288 F.2d 642 (3rd Cir., 1961) (patent licensee's agreement to use best efforts to make and market inventions), *Arnold Productions, Inc.* v. *Favorite Films Corp.*, 176 F. Supp. 862 (1959) (copyrighted licensee's agreement to make best efforts to promote licensed photoplays and obtain as wide a distribution as possible), *American Machine & Metals Co.* v. *De Bothezat Impeller Co., Inc.*, 180 F.2d 342 (2nd Cir., 1950) (patent assignee's agreement to use best efforts to promote sales of products). See also, Gordon's Modern Annotated Forms of Agreements, 1970 ed., pp. 968, 970, 979.

2. A copy of Mr. Benjamin's biography appearing in *Who's Who In America*, 1970-71 ed., p. 155, has been filed with the Clerk's office.

3. In a letter-to-the-editor published in the May 12, 1972 issue of *Publishers Weekly*, a copy of which has been filed with the Clerk's office.

4. The Association's *amicus* position was that this Court's decisions cited in the "Question Presented" section of this petition made interpretation of a publisher's "best efforts" promise as one prohibiting

The issue, moreover, is not limited to license agreements incorporating express "best efforts" promises by the licensee. Even where such promises are not expressly made, they are commonly implied in patent and copyright exclusive license agreements by state law.[1]

It is common practice in the educational book publishing industry for publishers to publish competing texts on the same subjects which courts can readily characterize as "manifestly harmful" to sales of the earlier published of such works.[2] All competing works are "manifestly harmful" to each other to some degree.

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publication of competing books unlawful. Harcourt's *amicus* brief (the only one not cited in the New York Court of Appeals' decision) complained of determination of the case without consideration of evidence of custom and usage in the publishing industry and urged that a "best efforts" promise, as used in the publishing industry, simply requires active marketing of the literary product involved according to the publisher's expertise and judgment.

1. *Brawley* v. *Crosby Research Foundation*, 73 Cal. App.2d 103 (1946) (law implied agreement of patent licensee to make best efforts to develop, exploit, produce and make sales of licensed invention), *Dwight & Lloyd Sintering Co.* v. *American Ore Reclamation Co.*, 44 F. Supp. 399 (1937) (law implied covenant by patent licensee to exploit patented article diligently), *In re Waterson, Berlin & Snyder Co.*, 48 F.2d 702 (2nd Cir. 1931) (law implied copyright licensee's obligation to work copyright so far as reasonably possible), *Wood* v. *Lucy, Lady Duff-Gordon*, 222 N.Y. 88 (1917) (law implied design licensee's obligation to promote designs).

2. See Mr. Benjamin's letter-to-the-editor, *Publishers Weekly*, May 12, 1972 issue, a copy of which has been filed with the Clerk's office.

Additionally, petitioners expressly alleged as an affirmative defense in this case that a publisher's "best efforts to promote" sales promise was not one restricting its freedom to publish similar competing books, as a matter of custom, or usage, and practice in the book publishing industry (R.I.74-75); and, in support thereof, petitioners presented independent expert testimony at the trial that it was customary practice in the educational book publishing industry (R.2695)

(footnote continued on next page)

The New York Court of Appeals' decision not only affects the educational book publishing industry in New York. While its ruling, strictly, relates only to copyright licensees, the decision recognizes that federal law governing "patent and copyright license agreement . . . are governed by parallel principles," (A.9). It will, therefore, affect patent licensing agreements as well.

Moreover, if copyright and patent licensees can, under state law, use "best efforts" promises as vehicles to obtain protection from their licensees' manufacturing and marketing of "manifestly harmful" competing products, it follows that they can do so directly by obtaining express agreements from licensees not to make and sell such products. The inhibiting effect upon competition is self-evident.

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for publishers, while contractually publishing one author's work, to simultaneously arrange for the writing of and to publish comparable works of other authors on the same subjects competitive therewith (R.2702-4) and that the kind of competition of the books in suit here was done by all book publishers (R.2705-6). [After hearing this, the trial court, without allowing the witness to conclude, struck his testimony and at the same time dismissed defendants' aforesaid defense as being irrelevant upon the ground that respondent's burden was to prove a misappropriation of its property (R.2753-4). The trial court so found, but the Appellate Division reversed (A.18), and the New York Court of Appeals ignored petitioners' contention upon the appeals to it that a new trial should have been ordered for this reason. It did so despite affirmative citation in its decision (A.10) of *Arnold Productions, Inc.* v. *Favorite Films Corp.*, 176 F. Supp. 862, affd. 298 F.2d 540 (2nd Cir., 1962), holding that a claim for breach of a copyright licensee's best efforts promise must be tested by comparison of the allegedly breaching contract with normal, customary, industry practice.]

2. The New York Court of Appeals Has Decided a Substantial Federal Question in a Way Probably Not in Accord With the Applicable Decisions of This Court.

The New York Court of Appeals' view that federal law restrictions upon licensee's freedom of competition in patent and copyright license agreements is "governed by parallel principles" (A.9) most likely fully accords with this Court's views. The parallel devolves from the fact that both patent and statutory copyright proprietary rights stem from Art. I., Sec. 8, cl. 8 of the Constitution which states a federal public policy, paramount to that of rewarding authors and inventors, of promoting the useful arts and sciences for public benefit, *Fox Film Corp.* v. *Doval,* 266 U.S. 123, 127 (1932). More specifically this Court's decisions in *U.S.* v. *Paramount Pictures,* 334 U.S. 131 (1948) and *U.S.* v. *Loew's, Inc.,* 371 U.S. 38 (1962) have so indicated. In those cases this Court, relying upon its decisions in the patent licensing field, respectively struck down block booking tying restrictions imposed by copyright proprietors of feature motion picture films upon their distribution licensees upon mis-use (as adding to the monopoly of the copyright) and antitrust (as violating Sec. 1 of the Sherman Act) grounds. In the *Loew's* case, this Court made clear that tying provisions in patent and copyright license agreements were *per se* antitrust violations, saying, at 371 U.S. 45, that the power to appreciably restrain competition in the market "is presumed when the tying product is patented or copyrighted."

That a contractual provision directly restricting a patent or copyright licensee's freedom to simultaneously manufacture and market competing products would violate the

Sherman Act and constitute a mis-use of the lawful statutory monopoly, does not, therefore, seem seriously doubtful. It has been specifically so held respecting patent license agreements in such lower federal court cases as *National Lockwasher Co.* v. *Garrett,* 137 F.2d 255 (3rd Cir., 1950) and *Park-In Theatres* v. *Paramount Richards Theatres,* 81 F. Supp. 466 and 90 F. Supp. 730 (D. Del.), affd. approvingly 185 F.2d 255 (3rd Cir., 1950), cert. den. 341 U.S. 950, and quite recently indicated by this Court in its decision in *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100 (1969), where the Court said,

> "* * * there are established limits which the patentee must not exceed in employing the leverage of his patent to control or limit the operations of the licensee. Among other restrictions . . ., he may not condition the right to use his patent upon the licensee's agreement . . . not to purchase, use of sell, another article . . . not within the scope of his patent monopoly, e.g., Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 355-459 (1940); International Salt Co. v. United States, 332 U.S. 392, 395-396 (1947) . . . neither can he use that leverage to garner as royalties a percentage share of the licensee's receipts from other products; in either case, the patentee seeks to extend the monopoly of his patent to derive a benefit not attributible to use of the patent's teachings."

But, the New York Court of Appeals' view that there is an exception to the above rules that permits patentees and copyright proprietors to extend their monopolies by contractual restrictions upon their licensees' freedom to market "manifestly harmful" competing products, and that "best efforts" promises are breached by such conduct, is probably not in accord with the decisions of this Court.

This Court's decision have never drawn such an exception. The exception allows an extension of the monopoly and enforces a restraint on trade by agreement for the benefit of one presumed under the *Loew's* case to have sufficient economic power to restrain competition in violation of the Sherman Act. The restraint moreover appears unreasonable even disregarding that presumption, for it never balances the licensee's needs or the public's benefit to be derived from the availability of the competing product which may exist (and in this case rather obviously does) irrespective of the "manifest harmfulness" thereof to the licensor.

In addition, the New York Court of Appeals' view appears also to conflict with the strong federal public policy favoring free competition developed in this Court's more recent line of decisions in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), *Compco* v. *Day-Brite Lighting Co.*, 376 U.S. 234 (1964) and *Lear, Inc.* v. *Adkins, Inc.*, 395 U.S. 653 (1969). That policy, as indicated in *Lear*, is that state courts cannot award a plaintiff compensation for a defendant's utilization of ideas which are public domain, whether, as in *Sears* and *Compco*, upon the basis of state law views of tortious unfair competition, or, as in *Lear*, upon state law contract principles (there, a doctrine of licensee estoppel from asserting patent invalidity as a defense to an contract action for royalties). In so far as the New York Court of Appeals' view that the Mileaf books are "manifestly harmful" competition to the Van Valkenburgh books was based upon the fact that they have some similar characteristic, it has done precisely that. The parallel between the antitrust violation and copyright mis-use doctrines discussed above and the federal public policy favoring free competition articulated in *Lear* is plain and has been drawn

by Mr. Justice White in this Court's decision in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971) at 343-346.

3. The New York Court of Appeals Has Decided a Federal Question Not Heretofore Determined by This Court.

Despite the discussion above, it is nevertheless the case that this Court has never directly passed upon the precise federal question presented here. The Court has never considered a question of a copyright proprietor's freedom to inhibit competition and expand its copyright monopoly by restriction upon its licensee's freedom to make and market competing products. It has never considered whether state courts may enforce such interpretations of "best efforts" promises in either patent or copyright license agreements. The two occasions upon which this Court considered questions of whether patent licensee's "best efforts" promises were implicitly restrictive of competitive activity occurred long before the patent and copyright mis-use and antitrust doctrines discussed above evolved.[1]

1. Those cases were *Thorn Wire Hedge Company, Inc.* v. *Washburn & Moen Manufacturing Co., Inc.*, 159 U.S. 423 (1895) and *Eclipse Bicycle Company, Inc.* v. *Farrow*, 199 U.S. 581 (1905), both of which support petitioners' position here. In *Thorn Wire*, this Court held that a patent licensee's agreement to use diligent efforts to supply the demand for the licensed article (barb wire) did not constitute an implicit agreement by the licensee not to also manufacture and market similar barb wire made under other patents it subsequently acquired, 159 U.S. at 450. In *Eclipse Bicycle*, the Court held that a patent assignee's promise to use "due business diligence in the manufacture and sale of" the assigned bicycle coaster brake device and to "push their sale by all proper and legitimate enterprise" did not prohibit the licensee from itself subsequently developing, manufacturing and marketing another coaster brake device which had commercially "important superiorities" to Farrow's. Given the greater comprehensiveness and modernity of the Mileaf books to the Van Valkenburgh books and the admission at trial of respondent's own expert witness about its Basic Electronics that the work was mostly "obsolete" (R. 1514), that is precisely this case.

The New York Court of Appeals' ruling here essentially creates a qualification, or exception, to federal law prohibitions upon restrictions on patent or copyright licensees freedom to make and market competing products. The rule is one of federal law and public policy established by decisions of this Court. The existence of an exception to that rule for "manifestly harmful" competing products therefore necessarily is a question of federal law. Clearly, the federal interest is paramount in the patent and copyright fields. Clearly, the rule should be uniform throughout the nation. If an exception is to be made to licensees' freedom to make and market competing products, it should be done, after consideration and review, by this Court, so that at least the petitioner book publisher and other New York publishers are not placed at a competitive disadvantage to publishers of other states.

4. The New York Court of Appeals Is in Important Error.

Petitioners reasons for believing that federal law and public policy does not and should not permit state court interpretation of patent or copyright licensees' promises to use "best efforts to promote" a licensed product as one restricting it from simultaneously making and marketing any non-infringing competing product have already been indicated. But, even were some exception to the rule of licensee freedom of competition to be allowed by federal law, the exception applied by the New York Court of Appeals here is believed not only erroneous but very detrimental to the purposes to be served by federal law and public policy involved here. The facts of this case demonstrate why.

The public policy behind the patent and copyright laws and the doctrine of patent and copyright monopoly mis-use which stems from them is the public benefit derived from promotion of the useful arts and sciences. The function of an educational book publisher, such as the petitioner book publisher here, is to satisfy needs of the public and educational community for educational books in its fields of publishing competence by anticipating, developing and publishing books suited to those needs. The real reason (if any exists) why the Mileaf books may be "manifestly harmful" to the Van Valkenburgh books is precisely because potential customers in the marketplace for books on electricity and electronics fundamentals find them superior for their needs and hence preferable. Yet, this is precisely what promotes the useful arts and sciences. The New York Court of Appeals' exception is erroneous because it is detrimental to the progress of education in science and technology.

The exception is erroneous because it is elusive and provides no genuine practical test by which patent and copyright licensees may make new competing product decisions. It therefore effectively operates as an *in terrorum* restriction against licensees' manufacture and marketing of any competing products. No educational book publisher obligated by express contractual agreement or implied state law rule to promote a licensed literary work and no manufacturer likewise obligated to promote a licensed patented product will risk the substantial investment involved in the development and manufacture of any competing product fearful that state courts unfamiliar, at least as compared to it, with the needs of the market it is trying to reach, might regard that product as "manifestly harmful" competition to the existing licensed product. The vagueness of the New

York Court of Appeals' exception is demonstrated by this case. The Court of Appeals' decision itself characterizes the book publisher's breach as "narrow" (A.10) and indicates that it was not even clear that there had been any damage to respondent from publication of the Mileaf books, saying, "Whether there was in fact, damage . . . from the Mileaf publication will be decided at the reference," (A.11). Yet, for the purpose of imposing liability, it appears to have found "manifest harm."

The exception is erroneous because it functions as an invitation to lower courts to ignore the federal law protecting licensee freedom of competition. Is there any competing product worth manufacturing which such a court, so inclined, could not characterize as "manifestly harmful" to continued sales of a licensed product?

The exception is erroneous because it nowhere attempts to balance the legitimate interests of the licensee in producing the competing product, let alone the interest of the public in having the competing product available to it. Here, the licensee's legitimate interest in producing the Mileaf books is shown by the evidence which the Court of Appeals referred to in its decision: sales of the Van Valkenburgh books dropped slightly during the 18 months of publication of the Mileaf books in evidence from $435,000 to $433,600, but combined sales of the Mileaf and Van Valkenburgh books were $615,200 (A.11). The harm to the Van Valkenburgh books may have been "manifest" to the New York Court of Appeals, but all the evidence showed that the book publisher realized substantially more sales by marketing both than it had previously realized from marketing the Van Valkenburgh books alone. There was obviously, as the

evidence showed, a substantial market for the Mileaf books which did not exist for the Van Valkenburgh books, undoubtedly for precisely the reasons to which every representative of the marketplace for books on electricity and electronics fundamentals testified.

Finally, even if the New York Court of Appeals' exception to the federal rule of licensee freedom to make and market competing products was acceptable to this Court, its judgment still contravenes federal law and public policy in two vital respects. In the first place, it does not limit the respondent's recovery of damages to those caused by publication of the Mileaf books in the territorial area (the U.S. and Canada) of the book publisher's license to publish and obligation to promote the Van Valkenburgh books. It thus, entirely unreasonably under any view, and, therefore, in contravention of the Sherman Act, inhibits the publication of the Mileaf Books in foreign commerce outside the scope of the copyright license agreement made. In the second place, despite recognition that the issue of damages had not as yet been tried (A.11), the judgment, in advance of actual trial of the issues of damage before the referee, pre-judged that respondent recover "as an item for the ascertaining and calculation of damages" a royalty of 15% of the retail list prices of all copies of Mileaf books sold. The judgment thus in fact rewards respondent with a royalty upon books it did not write, in clear contravention of this Court's decisions in *Broulette* v. *Thys*, 370 U.S. 29 (1964), *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100 (1969) and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), holding that a patentee cannot collect royalties upon which it never owned any, any valid, or no longer owns a subsisting, patent.

Conclusion

For the above reasons, a writ of certiorari should issue to review the judgment and opinion of the Court of Appeals of the State of New York.

Respectfully submitted,

JOHN E. HAIGNEY
41 East 42nd Street
New York, New York 10017
Counsel for Petitioners

July 7, 1972

APPENDIX

Order Extending Time to File Petition for Writ of Certiorari

SUPREME COURT OF THE UNITED STATES

No. A-1133

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,

Petitioners,

v.

VAN VALKENBURGH, NOOGER & NEVILLE, INC.

ORDER EXTENDING TIME TO FILE PETITION FOR WRIT OF CERTIORARI

UPON CONSIDERATION of the application of counsel for petitioners, IT IS ORDERED that the time for filing a petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including July 9, 1972.

/s/ Thurgood Marshall

Associate Justice of the Supreme Court of the United States

Dated this 27th day of April, 1972.

New York Court of Appeals' Judgment

STATE OF NEW YORK,
COURT OF APPEALS

No. 131

STATE OF NEW YORK, ss.:

PLEAS in the Court of Appeals, held at Court of Appeals Hall, in the City of Albany, on the 10th day of February in the year of our Lord one thousand nine hundred and seventy-two, before the Judges of said Court.

WITNESS:

The Hon. STANLEY H. FULD,
Chief Justice, Presiding.

RAYMOND J. CANNON, Clerk.

Remittitur: February 10, 1972.

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1. No. 131 71

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Respondent-Appellant,

vs.

HAYDEN PUBLISHING COMPANY, INC. & ano.,
Appellants-Respondents.

New York Court of Appeals' Judgment

BE IT REMEMBERED, That on the 18th day of March in the year of our Lord one thousand nine hundred and seventy-one, VAN VALKENBURGH, NOOGER & NEVILLE, INC., the respondent-appellant in this cause, came here unto the Court of Appeal, by London, Buttenwieser & Chalif, its attorneys, and filed in said Court a Notice of Appeal and return thereto from the order of the Appellate Division of the Supreme Court in and for the First Judicial Department. And HAYDEN PUBLISHING COMPANY, INC. & ANO., the appellants-respondents in said cause, afterwards appeared in said Court of Appeals by Ide & Haigney, their attorneys.

Which said Notice of Appeal and the return thereto, filed as aforesaid, are hereunto annexed.

WHEREUPON, the said Court of Appeals having heard this cause argued by Mr. John E. Haigney, of counsel for the appellants-respondents, and by Mr. Ephraim London, of counsel for the respondent-appellant, and after due deliberation had thereon, did order and adjudge that the order of the Appellate Division of the Supreme Court appealed from herein be and the same hereby is affirmed, with costs to abide the event. Questions certified answered in the affirmative.

And it was further ordered, that the records aforesaid, and the proceedings in this Court, be remitted to the Supreme Court of the State of New York, there to be proceeded upon according to law.

THEREFORE, it is considered that the said order be affirmed with costs to abide the event. Questions certified answered in the affirmative, as aforesaid.

And hereupon, as well the Notice of Appeal and return thereto aforesaid as the judgment of the Court of Appeals aforesaid, by it given in the premises, are by the said Court

of Appeals remitted into the Supreme Court of the State of New York before the Justices thereof, according to the form of the statute in such case made and provided, to be enforced according to law, and which record now remains in the said Supreme Court, before the Justices thereof, &c.

Raymond J. Cannon

Clerk of the Court of Appeals
of the State of New York

Note: The question certified by the Appellate Division to the Court of Appeals was: "Was the order of this Court [i.e., the Appellate Division] entered on February 6, 1970, which modified the judgment of the Supreme Court [i.e., the judgment entered Dec. 10, 1968 therein] properly made?" (Explanatory matter in brackets added.)

Opinion of the New York Court of Appeals

STATE OF NEW YORK
COURT OF APPEALS

1. No. 131 71

VAN VALKENBURGH, NOOGER & NEVILLE, *Inc.*,
Respondent-Appellant,

vs.

HAYDEN PUBLISHING COMPANY, INC. & ano.,
Appellants-Respondents.

DECISION COURT OF APPEALS
Feb. 10, 1972

BERGAN, J.

Plaintiff corporation is the copyright owner of a series of books on basic electricity, the publication of which is the subject of this litigation. Defendant Hayden Book Company, Inc. has merged with, and is the successor of, John F. Rider Publisher, Inc., which, under agreement with plaintiff, published the series. Defendant Hayden Publishing Company, Inc. is the owner of all the stock of the merged companies.

Although defendants are separate corporate entities, the court at Special Term found the parent company's officers and employees so controlled the actions of their subsidiaries in the present controversy that unitary liability to the plaintiff arising from the publication of the books could

be imposed on both corporations. In this respect the Appellate Division affirmed the fact as found. It cannot be said as a matter of law on this record that if Hayden Book is liable the separate corporate entity of Hayden Publishing shields it from liability. For convenience, therefore, both defendants will here be called the "publisher" and the corporate plaintiff the "author".

Assuming facts most favorable to the author, consistently with the findings which have been affirmed by the Appellate Division, an agreement between the parties was entered into in November, 1954 for the publication of the electronics books. The publisher agreed to pay the author a royalty of 15% of the list price of books sold. The contract contained an undertaking by the publisher to use its "best efforts" in promotion of the books. Following upon execution of this agreement, a five-volume set entitled *Basic Electricity*, and a five-volume set entitled *Basic Electronics*, were published in 1954 and 1955; and in 1959 a sixth volume on transistors was added to *Basic Electronics*.

These publications were the publisher's best sellers and accounted for a substantial part of its income. In 1962 the author and publisher discussed a new and later edition of the author's works. The publisher asked a reduction in royalties if this were to be done. Financial discussions lasted about a year. It apparently became clear in the fall of 1963 that the author would not agree to a lower rate.

The publisher then hired Harry Mileaf and three other writers to prepare a new group of electronic books entitled *Electricity 1-7* and *Electronics 1-7*, the "Mileaf" books. This effort was not disclosed to the author, but was "concealed", as plaintiff argues in this court. The Mileaf books utilized a very similar method of organizing, presenting and picturing the material. The agreements between the

publisher and Mileaf and the other writers of the new group of books as to what they were to produce could well be regarded as an exact description of the author's existing books.

The publisher did not disclose to the author what it was doing, but when inquiry was made, on the basis of reports in the trade, the Mileaf enterprise was denied orally and in writing. The Mileaf books were published in 1966 and 1967. The publisher made efforts to sell them to customers who had been placing large orders for the author's books. The advertising for these books was very similar to that for the author's.

In 1967, when the publisher began to advertise Mileaf, the magazine advertisement of the author's works was suspended. There is a memorandum from the publisher's sales manager to its salesmen which notes that "a large portion of our time the past 8 weeks has been devoted to *ELECTRICITY 1-7 and ELECTRONICS 1-7*". The Authors League of America, filing here a brief as *amicus*, makes this interesting commentary on the record: "The astounding pattern of Publisher's conduct, as disclosed and documented by the record, is probably without parallel in publishing history. Clearly it violates the 'best efforts' clause of the contract executed by the parties." The record on the whole seems to justify the factual finding that the publisher did not use its "best efforts" on the author's books after 1967.

On this record the court at Special Term, after a long trial, found the publisher occupied a fiduciary relationship to the author and that there had been a failure by the publisher to act in good faith in that relationship. Accordingly it found the author was entitled to a permanent injunction restraining the publisher from proceeding with the distribu-

tion and sale of the Mileaf books, and, indeed, ordered physical destruction of these books. The court directed an accounting to the author by the publisher of the profits of the Mileaf venture and a referee's hearing for this purpose.

The Appellate Division, by a divided court, modified this decision in very material respects. It determined there was no fiduciary relationship between the parties but one of ordinary contract. It found there had been no breach by the publisher of the condition implicit in the contract to act in good faith; but that the publisher had breached its contractual undertaking to use its "best efforts" in promoting the author's books and hence was answerable in the money damages appropriate to a breach of contract.

Consistently with this, it reversed that part of the Special Term's order and judgment calling for a destruction of the Mileaf books and imposing a permanent injunction, and directed a hearing at the reference on the question of money damages allowing merely a temporary injunction until that question be determined. As to the "purely commercial" nature of the relationship and as to the absence of any obligation of the publisher, the Appellate Division expressly reversed the factual findings made at Special Term and made new findings.

To decide this author-publisher controversy it is necessary to see just what the legal effect of the contract between them and the resulting relationships are, and especially what are the rights of a publisher as to the production of other works competing with the specific work of an author's.

There is implicit in all contracts—for book publishing or house building—an implied covenant of fair dealing and good faith (*Brassil* v. *Maryland Cas. Co.*, 210 N.Y. 235; *Wilson* v. *Mechanical Orguinette Co.*, 170 N. Y. 542). See, also, *Kirke La Shelle Co.* v. *Armstrong Co.* (263 N. Y. 79)

where Judge HUBBS noted (p. 87) "in every contract there exists an implied covenant of good faith and fair dealing"; and *Underhill* v. *Schenck* (238 N. Y. 7).

It has already been observed that in this contract there was an undertaking by the publisher to use its "best efforts" to promote the author's works. Such a contract does not close off the right of a publisher to issue books on the same subject, to negotiate with and pay authors to write such books and to promote them fully according to the publisher's economic interests, even though those later publications adversely affect the contracting author's sales. This general freedom of publishing competition within the same house is demonstrated by the appellant publisher here and it is strongly argued by the Association of American Publishers, Inc., in its brief as *amicus*.

By analogizing the Federal cases growing out of patent and copyright licensing agreements which are governed by parallel principles, it will be observed that licensees are not deemed to limit themselves in their usual business enterprise to the promotion of the licensor's product, absent specific agreement to this effect; and an agreement to use due diligence or best efforts does not alone limit their activity to the licensor's interests.

This was noted by Justice HOLMES in *Eclipse Bicycle Co.* v. *Farrow* (199 U. S. 581) involving a coaster brake patent license owned by one Farrow. It was observed that the licensee's covenant "to use due business diligence in pushing their sale, did not preclude it from using any later invention, if one were made which superseded Farrow's, and did not embody it" (p. 589).

Thus, too, in *Thorn Wire Co.* v. *Washburn & Moen Co.* (159 U. S. 423) it was held that an agreement of a licensee to "use reasonable and diligent efforts" to promote the

barbed wire product did not impose an obligation not to sell barbed wire products under competitive patents (p. 449). Such a covenant cannot be "implied from the language used" (p. 450). See further and consistent licensing decisions in *American Mach & Metals* v. *De Bothezat Impeller Co.* (180 F. 2d 342, 345-346); *Arnold Prods.* v. *Favorite Films Corp.* (176 F. Supp. 862); *Dwight & Lloyd Sintering Co.* v. *American Ore Reclamation Co.* (44 F. Supp. 396).

But this general freedom of action of the publisher to produce competing works is not necessarily the answer to this litigation. Although a publisher has a general right to act on its own interests in a way that may incidentally lessen an author's royalties, there may be a point where that activity is so manifestly harmful to the author, and must have been seen by the publisher so to be harmful, as to justify the court in saying there was a breach of the covenant to promote the author's work.

This, of course, is essentially a fact value question and here the Appellate Division has found that there was a narrow breach in the failure of the publisher to use its best efforts. It did not find a breach of the implied condition of fair dealing. The Appellate Division specifically found that money damages resulting from the breach of this specific undertaking by the publisher in promotion of the author's work would afford "adequate relief".

There are cross appeals on certified questions (CPLR 5602). It seems clear that such an appeal brings up only questions of law and this is what the orders of the Appellate Division allowing the appeals expressly state. Thus the only issue that may be considered in this form of appeal is whether it could be found, as a matter of law, on the record that there was no fiduciary relationship; that there was a breach of a specific undertaking of the contract; and that money damages were a sufficient measure for the breach (see Cohen and Karger, Powers of the N. Y. Court

of Appeals, §88 *et seq.*) Not any of those questions requires reversal here as a matter of law.

The argument of the publisher in this court that there was no damage cannot be determined from this record as a question of law. The publisher has compiled financial results from the record seeking to show the author's royalties and the sales of its books were about the same after, as before, the Mileaf publication began.

The publisher also contends that in the 18 months before the Mileaf publication began the total sales of the author's books were $435,000 and in a similar period after such publication for which there is evidence, the total sales were $433,600, and the total sales of both the author's and Mileaf books $615,200. Where there was, in fact, damage to the author from the Mileaf publication will be decided at the reference.

If the action has been properly held to be one merely for breach of contract for which money damages afford a sufficient remedy, an injunction, even temporarily for the limited time fixed by the Appellate Division until the damages, if any, are determined, would normally be inappropriate absent some showing of imminent risk of frustration of a resulting judgment, such as insolvency or siphoning off of assets. But if the hearing on damages is conducted expeditiously, the court declines to interfere as a matter of law in this respect with the discretion of the Appellate Division.

The order of the Appellate Division should be affirmed, with costs to abide the event.

Judges Burke, Scileppi, Breitel and Gibson concur with Judge Bergan; Chief Judge Fuld dissents in part and votes to modify in a separate opinion in which Judge Jasen concurs.

Order affirmed, with costs, to abide the event. Questions certified answered in the affirmative.

Partly Dissenting Opinion in New York Court of Appeals

Chief Judge FULD (dissenting in part): I agree with Justice MCNALLY, dissenting below, that the plaintiff is entitled not only to recover damages but also to a permanent injunction against continuance of the defendant publisher's wrong.

There was a continuing obligation on the publisher's part to use its "best efforts" to promote the object of the agreement between the parties, that is, to create a market for the plaintiff's books and to supply that market with its books. The defendant not only failed to use its best efforts but purposely channeled those efforts into another and competing source that was more profitable for it. It created a market for its own books to the plaintiff's great detriment and to its own advantage. Whereas it paid the plaintiff a royalty of 15%, its obligations to the supplier of the new work entailed a payment of less than 3%. It also assumed the more favorable status of copyright owner of the new works, whereas the plaintiff was copyright owner of the original works. Both were intended for the same limited market; to the extent that one supplied that market, it necessarily replaced the other.

As a result of the defendant's deliberate undermining of the objectives of its agreement with the plaintiff, the only way to insure the plaintiff's unimpeded access to the market for its books and to prevent the defendant from taking advantage of its wrong—by replacing the plaintiff's books with its own—is by enjoining the further distribution of the defendant's books. Any resulting hardship to the defendant, directly or in its contractual relationship with third parties, has stemmed from the defendant's own wrongful conduct.

Partly Dissenting Opinion in New York Court of Appeals

It is not necessary to decide whether or not the defendant's obligation to the plaintiff was a "fiduciary" one. It is sufficient that it was one which required a high degree of fair dealing which the defendant wholly and willfully disregarded for its own benefit. Thus, in my view, the trial court was entirely justified in concluding that damages, under the circumstances of this case, would be inadequate and that, as a consequence, injunctive relief was appropriate. Accordingly, I would modify the order appealed from to the extent of reversing so much thereof as denied injunctive relief.

New York Court of Appeals' Order Denying Rehearing

STATE OF NEW YORK
IN COURT OF APPEALS

At a Court of Appeals for the State of New York, held at the Court of Appeals Hall in the City of Albany on the First day of June A.D. 1972.

PRESENT, HON. STANLEY H. FULD, *Chief Judge, presiding.*

1 mo. no. 291

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Respondent-Appellant,

vs.

HAYDEN BOOK COMPANY, INC. and HAYDEN PUBLISHING COMPANY, INC.,
Appellants-Respondents.

A motion for reargument of the above cause having heretofore been made upon the part of the appellants-respondents herein and papers having been submitted thereon and due deliberation having been thereupon had, it is

ORDERED, that the said motion be and the same hereby is denied.

/s/ Gearon Kimball

Deputy Clerk

Appellate Division's Order Affirmed by New York Court of Appeals

At a term of the Appellate Division of the Supreme Court of the State of New York, held in and for the First Judicial Department in the County of New York, at the Courthouse thereof at 25th Street and Madison Avenue, New York, N. Y., this 6th day of February, 1970.

Present:

HON. HAROLD A. STEVENS, *Presiding Justice,*
HON. SAMUEL W. EAGER
HON. LOUIS J. CAPOZZOLI
HON. EMILIO NUNEZ
HON. JAMES B. M. MCNALLY, *Justices.*

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent
Cross-Appellant,

against

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants
Cross-Respondents.

In this action brought in the Supreme Court of the State of New York, County of New York, New York County

Appellate Division's Order Affirmed by New York Court of Appeals

Clerk's Index No. 2508/1967, the above-named defendants having appealed from an order entered in the action on April 27, 1967 and from the interlocutory judgment entered in the action on December 10, 1968 and the above-named plaintiff having appealed from said judgment so far as it failed to provide an award of punitive damages to plaintiff, and said appeals having been argued by John E. Haigney, Esq., of the firm of Ide & Haigney, for defendants, and Ephraim London, Esq., of the firm of London, Buttenwieser & Chalif for plaintiff and due deliberation having been had, and said appeals having been consolidated for convenience for disposition, and upon the memorandum decision of this Court filed herein on December 18, 1969 and made a part hereof (with one of the Justices dissenting in a separate memorandum), it is hereby

ORDERED, unanimously, that the order appealed from entered in the action on April 27, 1967 be and the same hereby is affirmed, without costs or disbursements; and it is further (with one of the Justices dissenting)

ORDERED, that the interlocutory judgment appealed from entered in the action on December 10, 1968 be and the same hereby is modified, on the law and the facts, without costs or disbursements as follows:

1. In the first ordering paragraph, the words "forever enjoined and restrained" which appear at lines 9 and 10 of the first ordering paragraph are stricken, and the following words inserted: "are temporarily enjoined and restrained pending the hearing before and report of the referee herein, after which such injunction shall terminate, from";

2. The second ordering paragraph is stricken in its entirety;

Appellate Division's Order Affirmed by New York Court of Appeals

3. The third ordering paragraph is modified as follows: to insert after the words "shall account" which appear in the third line of the following: "as an item for the ascertaining and calculation of damages;" and it is further

ORDERED, that said interlocutory judgment in so far as it fails to direct and award to plaintiff for punitive damages is affirmed; and it is further

ORDERED, that the findings of fact and conclusions of law made by the trial court inconsistent with the decision of this Court are reversed, and in lieu thereof the following new findings of fact and conclusions of law are made:

1. No fiduciary relationship exists between the parties to this action;

2. This action involves a purely commercial relationship and a purely commercial transaction;

3. This action more properly may be considered an action for breach of contract;

4. Under the publishing contract involved herein, the defendants agreed to use their "best efforts", for the continued promotion and sale of the plaintiff's books;

5. This action is properly to be considered as involving a demonstrated failure by the defendants to use their "best efforts", for the continued promotion and sale of the plaintiff's books under such contract;

6. Damages will afford the plaintiff adequate relief.

7. Mileaf has rights in the Mileaf books;

8. Destruction of the Mileaf books would destroy Mileaf's said rights;

9. Mileaf is not a party to this action;

10. This action is not an action for copyright infringement;

11. Because the action is not for any copyright infringement of the plaintiff's books is another reason why destruction of the Mileaf books is not appropriate relief;

12. If the action was for a copyright infringement of the plaintiff's books, relief would necessarily be sought in another forum;

13. No public right is involved in this action, only private wrongs; and it is further

ORDERED, that the interlocutory judgment as so modified, is otherwise affirmed, without costs or disbursements.

Enter

/s/ Harold A. Stevens
Justice of the Appellate Division of the Supreme Court of the State of New York, First Judicial Department.

Opinion-Decision of Appellate Division

(Filed Dec. 18, 1969)

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent-Cross-Appellant,

against

HAYDEN PUBLISHING COMPANY, INC. and HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants-Cross-Respondents.

Before STEVENS, *P. J.*, and EAGER, CAPOZZOLI, NUNEZ and MCNALLY, *JJ.*

PER CURIAM.

These are two appeals which for purposes of convenience are consolidated for disposition. In the first, defendants appeal from an interlocutory judgment entered December 10, 1968 in favor of the plaintiff and against the defendants after a non-jury trial. Plaintiff cross-appeals from so much of the judgment as denied the plaintiff punitive damages. In the second, defendants appeal from so much of an order entered April 27, 1967 as granted plaintiff's motion for a protective order terminating the defendants' examination before trial of the plaintiff and to the extent that such order denied defendants' renewal motion for a bill of particulars. The order granting the protective

motion and denying defendants' renewal motion for a bill of particulars was properly entered and is unanimously affirmed.

The interlocutory judgment appealed from is modified, without costs or disbursements, on the law and the facts as follows: In the first ordering paragraph the words "forever enjoined and restrained" which appears at lines 9 and 10 of the first ordering paragraph are stricken, and the following words inserted: "are temporarily enjoined and restrained pending the hearing before and report of the referee herein, after which such injunction shall terminate, from." The second ordering paragraph is stricken in its entirety. The third ordering paragraph is modified as follows: to insert after the words "shall account" which appear in the third line the following: "as an item for the ascertaining and calculation of damages."

We find and conclude that no fiduciary relationship exists between the parties. We find and conclude that this was a purely commercial relationship and a purely commercial transaction. The action more properly may be considered an action for breach of contract with demonstrated failure by defendants to use their "best efforts", as they agreed to do under the publishing contract, for the continued promotion and sale of plaintiff's books (cf. Wood v. Lucy, Lady Duff-Gordon, 222 N.Y. 88, 118 N.E. 214; Nelson v. Mills Music, Inc., 278 App. Div. 311, 104 N.Y.S.2d 605, aff'd 304 N.Y. 966, 110 N.E.2d 892). As such damages will afford the plaintiff adequate relief. The destruction of the Mileaf books as directed in the interlocutory judgment would destroy Mileaf's rights and Mileaf is not a party to this action. Moreover, this is not an action for copyright infringement. Indeed if it were relief would necessarily be sought in another forum. Plaintiff's cross-appeal from

the denial of punitive damages is affirmed. Punitive damages were properly withheld since no public right is involved here, only private wrongs (see American Electronics, Inc. v. Neptune Meter Co., 30 A.D.2d 117, 290 N.Y.S.2d 333). To the extent that the findings and conclusions made by us are in conflict or contradiction to those made by the Trial Justice, such findings and conclusions of the Trial Justice are overruled and rejected and set aside, and new findings and conclusions made as herein stated.

All concur except McNally, *J.*, who dissents and votes to affirm on the appeal from the interlocutory judgment entered December 10, 1968.

Dissenting Opinion in the Appellate Division

McNALLY, *J.*

I dissent and vote to affirm.

The issue presented involves two sets of books, the plaintiff's "Basic Electricity" and "Basic Electronics", and the defendant's books, "Electricity 1-7" and "Electronics 1-7" prepared by one Mileaf. Plaintiff claims, and, in my opinion, the proof sustains its contention that the defendants as publisher of plaintiff's books have misappropriated them without disclosure to the plaintiff, utilizing them in the development, production and publication of the Mileaf series, using the plaintiff's form and substance of teaching the theory of the science of electricity, and in so doing used the same methods and devices of illustrations as plaintiff's books, all of which constitute unfair competition. The form used is in the nature of an abbreviated, progressive presentation, a discussion with accompanying illustrations of separate topics in sequential order, from theory to practice. The record, as I view it, is that the defendants' product is an expanded and updated version which was surreptitiously arrived at by the defendants taking unfair advantage of their contractual relationship with the plaintiff. As I view it, the defendants violated their obligation to deal fairly and honestly and in good faith with the plaintiff and violated their agreement to use their best efforts to advance the sale of the plaintiff's books.

In all contractual relationships there is an implied covenant that neither party shall do anything to injure the rights of the other. This is true no matter what the relationship of the contracting parties is, be it that of employer or employee, manufacturer or distributor, licensor or licensee, and this is true whether or not a fiduciary relationship exists. Every contract impliedly carries with it an undertaking to perform fairly and in good faith. Kirke La

Shelle Co. v. Paul Armstrong Co., 263 N.Y. 79, 188 N.E. 163; Brassil v. Maryland Casualty Co., 210 N.Y. 235, 104 N.E. 622, L.R.A. 1915A, 629; Guardino Tank Processing Corp. v. Olsson, Sup., 89 N.Y.S. 2d 691.

The defendants further violated the implied covenant of their contract with the plaintiff to deal with plaintiff in good faith. Defendants conceded that they did not advise the plaintiff at any time during the 2 and ½ years the books were being prepared, printed and bound, that they intended to publish the Mileaf books. In addition to concealing these facts, defendants misled and deceived the plaintiff and told the plaintiff orally and in writing that rumors that the plaintiff heard about the books were false. The defendant also omitted the Mileaf books from a list of their proposed publications which they delivered to the plaintiff and which they represented to be complete. It would seem to me that the defendants had a duty to disclose to the plaintiff its intention to publish the Mileaf books. Their failure to give the plaintiff information was in itself an actionable wrong. Wendt v. Fischer, 243 N.Y. 439, 154 N.E. 303; Keller v. American Chain Co., 255 N.Y. 94, 174 N.E. 74.

The defendants' contention that the affiliate and the publisher were separate entities before the merger does not hold water; both had the same offices, the same directors, they used their funds interchangeably, commingled assets, had a common financial control and administration, and their activities of printing, binding, billing, order-processing and accounting were all consolidated. Their endeavors were controlled by one manager, they had the same editors, salsemen, advertising staff, and the record makes it appear that the parent company exercised total control over both corporations.

In my opinion, the plaintiff is entitled to recover damages and is also entitled to an injunction against the con-

tinuance of the wrong. The recovery of damages is not an adequate or sufficient remedy. If the judgment permits the defendants to continue the wrong, the plaintiff will be compelled to resort to a number of actions in the future to obtain proper redress.

A party left in the position of having to bring a series of sustaining actions in order to recover damages for a continuing wrong has not received an adequate remedy.

> "Prevention of multiplicity of suits is always a sufficient ground of equity jurisdiction, and furnishes a basis for the assumption and exercise of the power to restrain acts injurious to property and person, and to prevent one from being subjected to the cost and vexation of innumerable suits. While equity assumes jurisdiction to award injunctive relief where the injury complained of is otherwise irreparable and the remedy at law is inadequate, this want of a sufficient legal remedy and *the resulting irremedial character of the injury proceed largely from the fact that the injured party cannot procure the full and complete relief to which he is entitled without resorting to a multiplicity of suits.* * * *" (Emphasis added). 28 N.Y. Jurisprudence Injunctions §32, pp. 345-6; Satterlee v. Kobbe, 173 N.Y. 91, 97, 65 N.E. 952, 953; Williams v. New York Central R.R. Co., 16 N.Y. 97, 111.

The parties hereto have been in a contractual relationship for many years, the plaintiff as author and defendants as publishers. Over this period of time, the defendants have paid the plaintiff almost $1 million in royalties. For the defendants to embark on a secret course of writing, editing and presenting the defendants' books in competition with plaintiff's books constitute in my opinion both breach of contract and unfair competition.

In my opinion, judgment should be affirmed.

Judgment in Supreme Court of the State of New York, County of New York, Which Was Modified by Appellate Division's Order Affirmed by New York Court of Appeals

At a Trial Term, Part II, held in and for the County of New York, at the Courthouse at 60 Centre Street, in the Borough of Manhattan, City of New York.

Present:

HONORABLE IRVING H. SAYPOL, *Justice.*

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff,

against

JOHN F. RIDER PUBLISHER, INC., HAYDEN PUBLISHING COMPANY, INC. and HAYDEN BOOK COMPANY, INC.,
Defendants.

The Plaintiff brought the above entitled action for an injunction, and for a judgment directing the Defendants to deliver for destruction certain books and material, and for an accounting of profits, and to recover damages sustained. The three Defendants named in the caption appeared and filed their Answer. The cause duly came on for trial before this Court without a jury at Trial Term, Part VIII thereof. The Plaintiff appeared by London, Buttenwieser & Chalif, (Ephraim London, Esq., trial coun-

sel) and the Defendants appeared by Ide & Haigney, (John E. Haigney, Esq., trial counsel). After this action was instituted the Defendant Hayden Book Company, Inc. was merged with the Defendant John F. Rider Publisher, Inc., and the name of the surviving corporation was, and is, Hayden Book Company, Inc.; after the merger Ide & Haigney (and John E. Haigney) represented the merged or surviving corporation in this case.

The Court heard and received the evidence offered by the parties, and considered the oral arguments of counsel for the parties and read their memoranda of law, and after due deliberation and on the Court's oral decision and written Findings of Fact and Conclusions of Law, in which it decided that the Plaintiff is entitled to judgment; and on the post decision hearings and memoranda it is accordingly

On motion of Plaintiff's attorneys, London, Buttenwieser & Chalif,

ORDERED, ADJUDGED AND DECREED that the Defendant Hayden Publishing Company, Inc., (having its principal offices at 850 Third Avenue, New York, New York) and the Defendant Hayden Book Company, Inc. (having its principal offices at 116 West 14th Street, New York, New York) and their officers, employees, representatives, agents, licensees, and assigns, (other than purchasers of copies of the Mileaf books) and all firms and all corporations owned or controlled by them, be and they hereby are forever enjoined and restrained from, in any manner, directly or indirectly,

(1) publishing, printing, binding, distributing, selling, transporting or delivering (except to the Plaintiff as specifically provided hereafter in this judgment) or permitting the publication, printing, distribution, transportation or delivery of "Electricity One-Seven"

and "Electronics One-Seven," edited by Harry Mileaf. The terms "Electricity One-Seven" and "Electronics One-Seven" as used in this judgment include the sets of books, each of seven volumes, bearing those titles, originally published by Hayden Book Company, Inc., and it includes the combined single volume editions of those books, and all editions of those works, the separate volumes of each of them and combinations of and separate parts of the volumes, and the text and the illustrations of each and all of the volumes, and it includes counterparts of the volumes, and films and transparencies and all material based upon, copied from or extracted from the illustrations or the texts of the said books; and the prohibitions of this and the following paragraphs of this order apply to all the volumes, editions, text, illustrations, transparencies and other material referred to;

(2) selling, offering for sale, causing to be sold or permitting the sale or offering for sale, or otherwise disposing of "Electricity One-Seven" or "Electronics One-Seven" or both;

(3) advertising "Electricity One-Seven" or "Electronics One-Seven" or both or advertising their publication or in any way promoting the sale or permitting the advertising, or promotion of the sale of "Electricity One-Seven" or "Electronics One-Seven" or both;

(4) transferring, assigning, licensing, selling or exploiting or in any way disposing of the copyright, or of any right or subsidiary right in "Electricity One-Seven" or "Electronics One-Seven" or both or permitting the transfer, assignment, license, sale, exploitation or disposition of the copyright or any right or subsidiary right in "Electricity One-Seven" or "Electronics One-Seven", or both;

Judgment in Supreme Court of the State of New York Modified by Appellate Division's Order

and it is further

ORDERED, ADJUDGED AND DECREED that the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. shall forthwith recall and obtain from its salesmen, agents, representatives, employees, licensees, assigns, wholesalers, distributors, and all other persons, firms or corporations to whom or to which copies of the books were delivered for sale, and from its printers, binders, and warehouses the following: all copies of "Electricity One-Seven" and "Electronics One-Seven" as that term is defined above, and all separate or unbound pages, and separate bindings and covers of said books, and all plates, plats, mats, negatives, film, manuscripts, art work, camera-ready copy, photographs for the text and the illustrations of the said books and all advertisements, displays, circulars and other material relating to said books and material in the said Defendants' possession or control or in their possession or control. All the foregoing shall be delivered to Plaintiff for destruction at Plaintiff's offices at 15 Maiden Lane, New York City (or such other place in New York City as Plaintiff shall designate in writing) within sixty (60) days from date of service of a copy of this judgment (the date of delivery of the books and material to be a weekday set by Defendants by the mailing of written notice of the date and, time of delivery, such notice to be sent by registered or certified mail at least five days prior to the date set for delivery) provided, however, that if Defendants make timely service and file a Notice of Appeal from this judgment and Defendants serve and file their brief on such appeal and Notice of Argument of the appeal within sixty (60) days from date of this judgment, the Plaintiff shall not destroy any of the foregoing books and material delivered to it but shall keep and preserve the same until the final determination of such appeal, and upon the final determination of such

appeal Plaintiff shall destroy such books and material unless otherwise directed by this Court or by the Court determining such appeal; and it is further

ORDERED, ADJUDGED AND DECREED that the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. shall account to the Plaintiff for all sales and transfers or other disposition of copies of "Electricity One-Seven" and "Electronics One-Seven", as hereinabove defined, and for all rights that have been transferred or licensed, and for the proceeds and benefits derived from the sale, licensing, transfer or other disposition of copies of "Electricity One-Seven" and "Electronics One-Seven" (as defined above) and of rights therein; and upon such accounting from the total or totals the Plaintiff shall have judgment against the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. in the amounts (plus appropriate interest) of fifteen per cent (15%) of the retail list price of all copies of "Electricity One-Seven" and "Electronics One-Seven" (as hereinabove defined) sold or transferred or that Defendants shall fail to account for, and for fifteen per cent (15%) of the retail list price of all transparencies and other material based on or derived from "Electricity One-Seven" or "Electronics One-Seven" that have been sold, or transferred or that Defendants shall fail to account for, and Defendants shall account to Plaintiff in amounts to be determined hereafter for any and all proceeds derived from the sale or transfer or disposition of other rights in "Electricity One-Seven" or "Electronics One-Seven"; and it is further

ORDERED, ADJUDGED AND DECREED that the account hereinabove provided for shall be in writing and verified and shall be filed and served by Hayden Publishing Company, Inc. and Hayden Book Company, Inc. upon Plaintiff's attorneys,

within sixty (60) days from the date hereof, and the Defendants' accounts shall show, with substantiating bills and reports from printers, binders and warehouses and producers, the total production of copies of "Electricity One-Seven" and "Electronics One-Seven" (as that term is defined above), the total number sold and the total number on hand, and such account shall show as to sales, transfers or other dispositions of "Electricity One-Seven" and "Electronics One-Seven", as hereinabove defined, the date of each such transaction, the name of the purchaser or transferee, the list price of each item sold or transferred, the date when each payment was received therefor, the source of each such payment, and the Defendants' account shall be accompanied by all evidences of print orders, binding orders, warehouse receipts, and invoices, statements and bills; and such account shall show, as to the sale or disposition of rights in "Electricity One-Seven" or "Electronics One-Seven", or both, the names and addresses of the purchasers, transferees or assignees, and each payment received by Defendants in connection therewith and the account shall be accompanied by copies of all contracts with and documents delivered to such purchasers, assignees and transferees, and copies of all accounts rendered by them; and it is further

ORDERED, ADJUDGED AND DECREED that the aforesaid accounts be and they hereby are referred to Joseph T. P. Sullivan, 19 West 44 St., N.Y.C., as Referee, to take and state the accounts of the Defendants and to hear and make a report of his recommendations to this Court; and it is further

ORDERED, ADJUDGED AND DECREED that Plaintiff have judgment against the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. in the amount of the

loss in value of the books "Basic Electricity" and "Basic Electronics" and all other loss or damage sustained by Plaintiff in consequence of the publication of the books "Electricity One-Seven" and "Electronics One-Seven" and in consequence of the Defendants' conduct outlined in the Findings of Fact herein; and it is further

ORDERED, ADJUDGED AND DECREED that the issues with respect to such loss and damages sustained by the Plaintiff and the loss in value of the books "Basic Electricity" and "Basic Electronics" be and they hereby are referred to the said Joseph T. P. Sullivan, as Referee, to hear and make a report of his recommendations thereon to this Court; and

The Plaintiff having moved for an extra allowance, pursuant to CPLR 8303(a) (2), and this having been a difficult and an extraordinary case, it is ORDERED that Plaintiff herein is granted the sum of Three Thousand Dollars ($3,000) as an additional allowance, the same to be taxed with the costs of this action; and it is further

ORDERED, ADJUDGED AND DECREED that upon the entry of final judgment Plaintiff may recover from the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. the costs of this action, including the amounts paid by Plaintiff for the transcripts of the testimony in this case, and that the Plaintiff have execution therefor; and it is further

ORDERED, ADJUDGED AND DECREED that upon the confirmation or rejection in whole or in part of the Referee's reports, Plaintiff or Defendants may move for final judgment herein to be settled before this Court; and it is further

Judgment in Supreme Court of the State of New York Modified by Appellate Division's Order

ORDERED, ADJUDGED AND DECREED that the parties may apply at the foot of this judgment and decree for such further relief, decree or judgment as it may be advised.

The clerk is directed to enter judgment accordingly.

Enter

/s/ Irving H. Saypol
J.S.C.

Dated December 9, 1968

(Entered December 10, 1968, New York County Clerk's Office.)

NOTE: The modifications of this judgment made by the Appellate Division consisted of (1) in the first ordering paragraph (A.26) deleting the words "forever enjoined and restrained" and substituting for them the words "temporarily enjoined and restrained pending the hearing before and report of the referee herein, after which such injunction shall terminate," (2) striking the second ordering paragraph (A.28), and (3) inserting the words "as an item for the ascertaining and calculation of damages" after the words "shall account" in the third ordering paragraph (A.29).

Trial Justice's Opinion-Decision[1]

The Court: This case involves two sets of multi-volume treatises, the plaintiff's Basic Electricity of 496 pages and Basic Electronics of 535 pages, and the defendants' books, Mileaf, Electricity One-Seven of 917 pages and Electronics One-Seven of 932 pages.

It is charged that the defendant as publisher of the plaintiff's writings has misappropriated them without disclosure to the plaintiff, utilizing them in the development, production and publication of the Mileaf series, using the plaintiff's form and substance of teaching the theory and the science of electricity.

The form of presentation is characterized as discrete. It is recognized as thumbnail, abbreviated, progressive presentation, discussion with accompanying elementary illustrations of separate topics in sequential order—from theory to practice—practical application, rules and laws and formulae, magnetism, flatirons, toasters, radar, aeroplanes, battleships, vacuum cleaners, et cetera, et cetera.

The conclusion is that the defendants' product is an expanded and updated version, not identical but sufficiently patterned after the plaintiff's to arouse judicial interest and concern of impropriety by misappropriation. Bedfellows have done questionably what strangers might get away with, with impunity.

There is abundant proof of the plaintiff's case that the defendants operating in unity with a common interest, purpose and objective (Shelton Holding Corporation v. 150 East 48th Street Corporation, 264 N.Y. 339, 344) have taken unfair advantage of their contractual relationship with the

1. Rendered orally from the bench at the close of trial, September 17, 1968, and never reported.

plaintiff and surreptitiously carried out an unfairly competitive practice constituting both breach of contract and the tort of unfair competition.

Among the glaringly unacceptable testimony of the defendants by a close coterie of malefactors such as Lopatin, Mileaf, Falken and Yates, among others, it is unbelievable that the plaintiff's multi-volume works were not utilized. Perhaps not literally copied, but used at least they must have been as a pattern for the defendants' multi-volume treatises.

The parties are in a contractual relationship for many years, the plaintiffs, the authors, and the defendants, the publishers of the plaintiff's Basic Electricity and Basic Electronics.

An indication of the profitable popularity of plaintiff's books is evidenced by payment of almost a million dollars in royalties from the defendants since first publication.

In that background, for the defendant to embark on the secret course for more than two years of writing, editing and presenting the defendants' seven-volume Electricity One-Seven and Electronics One-Seven is remarkable.

For them to say now at the trial that the whereabouts of the original manuscript for this defendant's work is either unknown or that it was destroyed (within the few years of development and final use) is plainly unbelievable. It amounts to a course constituting destruction of material evidence. It is impossible to accept that these publishers of many hundreds of works, in this case involving their most profitable production, have destroyed the manuscript of their wor

Trial Justice's Opinion-Decision

The competing works, true, are not identical. They are more than closely comparable in pattern, style, and method of presentation. To say that the respective works are addressed to different reader types is not even apparent, let alone real. Typically, for one witness to say that in his background of common prior employment, the same field of writing and publishing writings involving electricity, together with other of the defendants' personnel, coming to the employ of the defendant Hayden at the moment of first publication, ignorant of the existence of the plaintiff's work, is equally unbelievable.

Plaintiff will settle in final form its findings and conclusions as presented, together with a decree enjoining publication and further promotion of Mileaf's Electricity One-Seven and Mileaf's Electronics One-Seven and directing an accounting.

The defendants' affirmative defenses are dismissed for lack of proof and on the law.

This constitutes the decision which will accompany the findings when signed.

It has been a long trial of an involved case with very simple elements.

Pertinent Text of Constitutional and Statutory Provisions Case Involves

U.S. Constitution, Art. I, Sec. 8, cl. 8:

> "The congress shall have Power . . . To promote the Progress fo Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries".

U.S. Copyright Act, 17 U.S.C. Sec. 1:

> "Any person entitled thereto, upon complying with the provisions of this title shall have the exclusive right: (a) To print, reprint, publish, copy and vend the copyrights work; (b) To translate the copyrighted work into other languages or . . . make any other version thereof, if it be a literary work; . . .".

Sherman Antitrust Act, 15 U.S.C. Sec. 1:

> "Every contract . . . in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal: . . . Every person who shal make any contract . . . hereby . . . declared to be illegal shall be guilty of a misdemeanor".

Sherman Antitrust Act, 15 U.S.C. Sec. 2:

> "Every person who shall . . . attempt to monopolize . . . any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor".

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Supreme Court, U. S.
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IN THE

Supreme Court of the United States

No. 72-47, October Term, 1972

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,

Petitioners,

v.

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,

Respondent.

BRIEF FOR THE RESPONDENT IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI

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BRIEF FOR THE RESPONDENT IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI

Jurisdiction

For the reasons set out in the Argument, the Court does not have jurisdiction to review the Judgment of the New York Court of Appeals.

Questions Presented

1. Does the Supreme Court have jurisdiction to review a state court determination that petitioners violated the terms of a contract it was obligated to perform, when the judgment did not determine or pass upon a federal question?

2. Does the Supreme Court have jurisdiction to review an interlocutory decree of a state court, despite the fact that there isn't any pressing or practical reason for review before the case is completed?

A Statement of the Case

The Respondent is the author of a series of books on the fundamentals of electricity and electronics which are referred to in this brief as "the Author's books". The petitioner Hayden Book Company, Inc., is the publisher of the Author's books.[1] As in the opinion of the Court of Appeals in this case (A6)[2], the Respondent is referred to hereafter as "the Author" and the two Petitioners are referred to as "the Publisher". The agreement for the publication of the Author's books, made in 1954, provided that the Publisher was to have the exclusive right to publish and sell the books in the United States and Canada, and the Publisher agreed "to use its best efforts to promote their sale (R Exh. Vol. pp. 4, 5).[3]

---

1. The Petitioner Hayden Publishing Company, Inc. is the owner of all of the stock of Hayden Book Company, Inc. and managed its affairs. The parent corporation was found liable for the misconduct of its subsidiary. Its liability is not in issue.

2. Numbers following the letter "A" in parentheses, refer to the pages of the Appendix attached to the Petition for Certiorari.

3. The pagination of the Record to the Appellate Division prepared by Petitioners is at best erratic. Volumes I, II and XVI and the Exhibit Volume each begin with page 1. One volume begins with pages A, B, etc. To avoid confusion, references in this brief are to the volumes as well as the pages of their Record and all references to the Record are preceded by the letter "R" (for example "R Vol. II, p. 16"). The volume of the Record containing exhibits is not numbered and is referred to in this brief as "(R Exh. Vol.)".

The Author's books were the Publisher's most successful ones and accounted for a large part of its income (A6). In 1962 the Author and Publisher discussed a new and later edition of the Author's books. The Publisher demanded a reduction in the Author's royalties as a condition to the publication of the new edition (A6). When it became clear that the Author would not accept a lower royalty rate, the Publisher hired Harry Mileaf, an editor, and three other people to prepare imitations of the Author's books on the very same subject as the Author's books (A6). The books prepared by Harry Mileaf and his three assistants are referred to hereafter as "the Mileaf books."

It required a staff of thirty, and at times forty, engineers, educators, artists and clerical workers to write and illustrate the Author's books, and it took two years to complete them (R Vol. I, pp. 20, 21). The Mileaf books were completed by Mileaf and his three assistants in less than a year and a half (R Vol. I, pp. 35, 36). Three of the men who worked on the Mileaf books had other full-time employment during the time they were working on the books. Only one of the four had a college degree (R Vol. I, p. 39). The prior "writing" experience of the four men who worked on the Mileaf books was in the preparation of technical pamphlets and manuals. They "collected" or "physically cut" the material for their manuals and pamphlets from other sources (R Vol. I, pp. 36, 37).

The Mileaf books, when produced, were similar in appearance to the Author's books and were published in [redacted] editions of the same kind and size (R Vol. I, pp. 41, 42). As the Trial Court found (R Vol. I, pp. 42, 43):

> "118. The material in both the Plaintiff's (Author's) books and the Mileaf books is presented in the

same manner by simple sequential steps, each step being a separate and generally self-contained unit of information. Each unit of information is presented on one page or multiple of a page, and each or, almost each, unit of information has one or more illustrations portraying the single or related subjects.'"[4]

* * *

"123. The subject matter of both Plaintiff's (the Author's) books and those edited by Mileaf is the same except that approximately one-fourth or one-fifth of the material in the Mileaf books relates to developments that were not in commercial application in 1955 or 1959 and those matters are not presented in the Plaintiff's (Author's) books."

* * *

"125. The context and content of the first four volumes of the Plaintiff's (the Author's) Basic Electricity is closely comparable to the first four volumes of (Mileaf's) Electricity 1-7 to such extent that they are,—as a unit,—interchangeable." (Matter in parentheses added)

The Trial Court found that the Publisher arranged for the preparation of the Mileaf books "to appropriate in whole or in part the market for (the Author's books) Basic Electricity and Basic Electronics and to avoid payment of

4. The Author's books were unique when the agreement for their publication was made. The Publisher's statement (at page 7 of its Petition) that it was publishing "about 40 books on electricity and electronics" with the same format, is inaccurate. It did not publish a single book with that format until after the Author's books were published. Throughout its statement of the facts, the Publisher relies on testimony it offered that was, for reasons that shall be indicated, rejected by the Trial Court. This Court will, of course, accept the findings of the Trial Court, affirmed by the state appellate courts, for the Publisher does not maintain that there isn't any evidence to support the findings but merely that the testimony it offered is entitled to greater weight. See *Milk Wagon Drivers* v. *Meadowmoor Dairies*, 312 U.S. 287, 294.

the large royalties the Defendants (Publisher) were obligated to pay to the Plaintiff (the Author) on the sale of Plaintiff's (the Author's) books" (R Vol. I, p. 38).[5] The Trial Court also found that in furtherance of its plan to cheat the Author of its royalties, the Publisher deceived the Author with respect to its plans to publish the Mileaf books (R Vol. I, pp. 40, 41); it suppressed and suspended advertising of the Author's books (R Vol. I, pp. 50, 51); it used, to advertise the Mileaf books, the advertisements that were proven successful in selling the Author's books (R Vol. I, pp. 47-50); it directed its salesmen who had been selling the Author's books to sell the Mileaf books exclusively; it put the Author's books under the supervision of an inexperienced sales manager (R Vol. I, pp. 52-54); and it attempted to sell the Mileaf books to buyers who had been purchasing the Author's books (R Vol. I, pp. 52-54, 47). On the trial the Publisher offered perjured testimony and fraudulent exhibits to prevent the revelation of its conduct (R Vol. I, pp. 35, 37-38, 46, 51, 53-54). The New York Court of Appeals quoted with approval the following comment on the evidence of the Publisher's wrongdoing: "The astounding pattern of Publisher's conduct, as disclosed and documented by the record, is probably without parallel in publishing history * * *" (A7).

The Trial Court found that the Publisher's conduct violated a fiduciary obligation to the Author, enjoined

5. The Publisher states, at p. 10 of its Petition, that the finding was rejected by the Appellate Division. No record reference is given for that statement. The finding was not rejected, but as appears from the Court of Appeals' brief discussion of the facts (A6, 7), was affirmed. Under New York law, a trial court's findings will not be deemed reversed by implication, or by conclusions of the Appellate Division with which they are not in direct conflict. Cohen & Karger, Powers of The New York Court of Appeals (Revised ed.) §130, p. 539; New York Civil Practice Law and Rules, §5712 (c)(2).

the sale of the Mileaf books, and directed the Publisher to account to the Author for the damage sustained as a result of the Publisher's wrongdoing (A25-32). The Publisher appealed to the Appellate Division of the Supreme Court of the State of New York. That Court held that a publisher does not have a fiduciary obligation to its author, but that the Publisher in this case breached its agreement "to use its best efforts to promote the sale" of the Author's books (A8, 19-24). The Appellate Division changed the permanent injunction granted by the Trial Court to a temporary injunction, to terminate when the amount of the Author's damages was determined (A 11, 16). The Publisher then secured leave of the Appellate Division to appeal to the New York Court of Appeals. (Record on appeal to the Court of Appeals, pp. 15, 17). The Court of Appeals affirmed the Judgment of the Appellate Division that the Publisher was in breach of a "specific undertaking of the contract" with the Author (A10).

ARGUMENT

POINT I

The petition for certiorari should be denied, for the decision of the state court was based upon adequate and independent state grounds.

This Court will not review a state court Judgment that rests on an adequate and independent state ground. The mere fact that a federal question was raised in the state court or that it was passed upon by the state court is not a reason for the Court's assuming jurisdiction of a cause. In this case the Petitioner-Publisher seeks to review a judgment of a Court which did not determine, and did not have jurisdiction, in this case, to determine, the federal question that the Publisher raises in its petition for certiorari.

Before this Court may exercise jurisdiction to review a state court judgment, it must appear affirmatively that the federal question was a *necessary* ground of the decision to be reviewed. *Lynch* v. *New York*, 293 U.S. 52; *Honeyman* v. *Hanan*, 300 U.S. 14, 18, 19; *Southwestern Bell Telephone Co.* v. *Oklahoma*, 303 U.S. 206, 212-213; *Malinski* v. *New York*, 324 U.S. 401, 412; *Herb* v. *Pitcairn*, 324 U.S. 117; *Wolfe* v. *North Carolina*, 364 U.S. 177, 196; *Bell* v. *Maryland*, 378 U.S. 226. The Publisher has not shown, for indeed it could not have shown, that the decision of the Court below was founded on a determination of the federal question discussed in the petition for certiorari.

The bases for the decisions of the New York appellate courts in this action are set forth in their opinions. The Appellate Division of the Supreme Court of the State of

New York, in modifying the judgment of the trial court, wrote in a *per curiam* opinion (A20):

> "We find and conclude that this was a purely commercial relationship and a purely commercial transaction. The action more properly may be considered an action for breach of contract with demonstrated failure by defendants to use their 'best efforts,' as they agreed to do under the publishing contract, for the continued promotion and sale of plaintiff's books."

The New York Court of Appeals, in commenting on and affirming the judgment of the Appellate Division, said:

(A8)

> "It found * * * that the publisher had breached its contractual undertaking to use its 'best efforts' in promoting the Author's books and hence was answerable in the money damages appropriate to a breach of contract."

(A10-11)

> "Thus the only issue that may be considered in this form of appeal is whether it could be found, as a matter of law, on the record that there was no fiduciary relationship; that there was a breach of a specific undertaking of the contract; and that money damages were a sufficient measure for the breach (see Cohen and Karger, Powers of the N.Y. Court of Appeals, §88 *et seq.*). Not any of those questions requires reversal here as a matter of law."

It is evident that the state courts did not base their decisions in this case on a federal question. The judgment of the New York Court of Appeals that the Publisher seeks to review, determined the questions of law outlined in the last excerpt from its opinion. Those questions involved issues only of state law.

The Publisher's appeal to the New York Court of Appeals was not taken as a matter of right, for the judgment appealed from was not a final judgment. The appeal was taken by permission of the Appellate Division. (Record on Appeal to Court of Appeals, p. 17) The order granting permission to appeal limited the Court of Appeals to a consideration of the issues of law decided by the Appellate Division, which were: "* * * that there was no fiduciary relationship (between Publisher and Author); that there was a breach (by the Publisher) of a specific undertaking of the contract; and that money damages were a sufficient measure for the breach * * *" (Matter in parentheses added) (A10, 20). As the Court of Appeals stated in its opinion, it did not have jurisdiction to consider any other question on the appeal (A10). The Court of Appeals therefore did not determine and could not have determined the federal questions relating to violation of the anti-trust or anti-monopoly laws, presented in the petition for certiorari. (Cf. pp. 19-23 of the petition for a writ of certiorari.)

The Publisher maintains that the Court of Appeals in holding that the Publisher violated its agreement to promote the Author's books, impliedly recognized the right of an author to prevent his publisher from publishing competing books. Such an agreement, the Publisher argues, would violate federal anti-monopoly laws. The courts below did not explicitly or implicitly recognize the right of a publisher and author to suppress competition by an agreement between them. The courts found merely that the specific conduct of which the Publisher in this case was guilty, was a breach of a particular provision of the agreement between

the Publisher and the Author.[6] The conduct that the Court found was a violation of the Publisher's promise to use its best efforts to promote the sale of the Author's books is set out at pages 3 to 5 of this brief. There can be little doubt of the correctness of the decision that one who appropriates the market for a book and suppresses advertising for the book, is not using his best efforts to advance it. And it is not, in order to reach that conclusion, necessary to pass on the question, and the Court below did not pass on the question of whether there is a violation of "the Sherman Antitrust Act or * * * a doctrine of patent and copyright monopoly mis-use established by the decisions of this Court or a federal public policy favoring free competition reflected thereby, for a statutory copyright proprietor to restrict its publisher licensee, by express or implied agreement in a contract licensing the proprietor's works to the publisher for sale in interstate and foreign commerce, from publishing and selling in such commerce other non-infringing works on the same educational subjects as the licensed works which are 'manifestly harmful' competition to the licensed works' (Petition for Certiorari at p. 3).

The determination that certain conduct of a party is a breach of its written promise to another does not ordinarily involve the adjudication of some vital constitutional or federal right. Even if we accept the Publisher's claim that the court below had to consider and decide a federal question in reaching its judgment, the mere fact that a federal

6. To magnify the importance of the federal issue that it seeks to present, the Publisher states that the Publisher's undertaking to use its best efforts to sell its author's books is "common" (Petition for a Writ of Certiorari at pp. 5, 16). There isn't any evidence in the record to support the statement, and to the writers' knowledge, the statement is incorrect.

question may have been involved in the decision of a question of state law does not convert the state issue into a federal question that this Court may consider.

In *Black* v. *Cutter Laboratories,* 351 U.S. 292, the petitioner sought review of the judgment of a state court determining the meaning of the term "just cause" in a labor union contract. The petitioner contended, with justification, that the decision of the contract question raised First and Fourteenth Amendment questions of some importance. Mr. Justice Clark, speaking for the majority of the Court in *Black* v. *Cutter Laboratories,* said:

351 U.S. at p. 298:

> "* * * it is our duty to look beyond the broad sweep of the language and determine for ourselves precisely the ground on which the judgment rests. This means no more than that we should not pass on federal questions discussed in the opinion where it appears that the judgment rests on adequate state grounds. *Herb* v. *Pitcairn,* supra (324 U.S. 117); *Williams* v. *Kaiser,* 323 US. 471, 477." (Matter in parentheses added.)

351 U.S. at pp. 299, 300:

> "We believe that the Supreme Court of California construed the term 'just cause' * * *. As such, the decision involves only California's construction of a local contract under local law, and therefore no substantial federal question is presented. Moreover, even if the State Court's opinion be considered ambiguous, we should choose the interpretation which does not face us with a constitutional question. See *Stembridge* v. *Georgia,* 343 U.S. 541, 547, and cases cited. Cf. *United States* v. *Rumely,* 345 U.S. 41. It follows that the writ must be Dismissed."

See also *Rice* v. *Sioux City Memorial Park Cemetery,* 349 U.S. 70, 74.

POINT II

The order of the New York Court of Appeals that petitioners ask the Court to review is not a final judgment within the meaning of 28 U.S.C. Section 1257.

The Petitioners maintain that jurisdiction to review the judgment of the state court is conferred upon this Court by the statute 28 U.S.C. §1257 (3) (Petition for Certiorari at p. 2). That section provides that "final judgments or decrees rendered by the highest court of a State * * * may be reviewed by the Supreme Court * * *". There cannot be any question that the judgment of the New York Court of Appeals, that Petitioners seek to review, is not a final, but an interlocutory, judgment.[7] It affirms a judgment granting a temporary injunction (that is no longer in effect) and directing an accounting upon which final judgment is to be entered (A3, 4, 15-18, 25-32). In the court below the Publisher recognized that the judgment is an interlocutory judgment, and the Appellate Division characterized it as such (A19, 17).

As used in the statutes defining appellate jurisdiction: "* * * a decree is final for the purposes of an appeal to this Court, when it terminates the litigation between the parties on the merits of the case, and leaves nothing to be done but to enforce by execution what has been determined." *St. Louis I. M. & S.R.R. Co.* v. *Southern Express Co.*, 108 U.S. 24, 28. The judgment of the Court of Appeals in this case does not meet that test. It provides for an accounting to be filed by the Publisher, for the appoint-

7. There is no reference in the Petition for Certiorari to the fact that the order Petitioners ask the Court to review is interlocutory.

ment of a Referee to hear issues with respect to the accounting, and for a judgment to be based upon the account as settled (A29-31, 15-18, 2-4). The Publisher filed an accounting and hearings on the Author's objections to the account are pending.

There is of course no absolute right to review by this Court, and Congress limited the Court's jurisdiction to consider appeals only from final rulings in state court litigation. Mr. Justice Frankfurter wrote for the Court in *Cobbledick* v. *United States*, 309 U.S. 323, 326:

> "In thus denying to the appellate courts the power to review rulings at *nisi prius*, generally, until after the entire controversy has been concluded, Congress has sought to achieve the effective conduct of litigation. For purposes of appellate procedure, finality —the idea underlying 'final judgments and decrees' in the Judiciary Act of 1789 and now expressed by 'final decisions' in §128 of the Judicial Code—is not a technical concept of temporal or physical termination. It is the means for achieving a healthy legal system * * *"

The Court, on occasion, relaxed the rule with respect to finality when there was a practical necessity for deciding a separate and independent federal question, before the parties are subjected "to long and complex litigation which may all be for naught if consideration of the preliminary question * * * is postponed" *Mercantile Nat. Bank* v. *Langdeau*, 371 U.S. 555, 558.[8] This obviously is not such a case.

8. Cf. *Forgay* v. *Conrad*, 6 How (U.S.) 201; *Carondelet Canal Co.* v. *Louisiana*, 233 U.S. 362; and *Radio Station WOW, Inc.* v. *Johnson*, 326 U.S. 120, in which the Court permitted review of judgments providing for an accounting, because of separate provisions of the judgments directing the immediate delivery of property, and compliance with those provisions of the judgments would have prejudiced the petitioners' rights.

The parties had a long and complex litigation, lasting 58 days, before the accounting was ordered to determine the damages sustained by the Author. There isn't any preliminary federal question, or any federal question that should be reviewed, before the Publisher's account is settled and final judgment entered.

Conclusion

For the reasons outlined, the petition for a writ of certiorari should be denied.

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Respondent.

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF[1]

The arguments raised in respondent's brief in opposition to the petition for certiorari are that the New York Court of Appeals' judgment (A.2-4) that petitioners seek to have reviewed is not within this Court's jurisdiction to review because (1) it is "based upon adequate and independent state grounds" (opp. brief, pp. 7-11) and (2) it is not a "final judgment" within 28 U.S.C. Sec. 1257 (opp. brief, pp. 12-14). These arguments are preceded by a highly distorted statement of the facts of the case obviously intended to cast petitioners in an unsympathetic light so as to divert the Court's attention from the important federal question presented by the petition.

1. References are made herein as in the petition for certiorari. References preceded by "A." are to the appendix to that petition. The record on appeal contains separately paginated sections. References preceded by "R.I." are to Vol. I of the record on appeal. References preceded by "R." alone are to Vols. II through XV of the record on appeal, which are consecutively paginated throughout. Exhibits are referred to directly.

Respondent's Distortion of the Case

Respondent's "statement of the case" (opp. brief, pp. 2-6) improperly weaves into it findings of fact made by the trial court which were rejected upon appeal and makes statements of fact not found by any court.

The Appellate Division had jurisdiction here to fully review the facts of the case, CPLR[1] 5501(c) upon petitioners' appeals to it. It did so. It modified the trial court's determination "in very material respects" (A.8) upon the facts as well as the law (A.16, A.20). It expressly specified in its order determining such appeals that it reversed not only the trial court's conclusions but the trial court's findings of fact as well which were inconsistent with the Appellate Division's determination (A.17)[2] and expressly set forth its own determination in the form of new combined findings and conclusions made "in lieu" of the trial court's findings it reversed (A.17-18).

Thus, when the Appellate Division found and concluded that the action, properly viewed, involved only a breach by the book publisher of its contractual obligation to use "best

1. New York Civil Practice Law & Rules.

2. At fn. 5, p. 5, of respondent's brief, it appears to be attempting to suggest that this general specification of the trial court's findings reversed by the Appellate Division was insufficient compliance with the requirement of CPLR 5712(c)(2) that its order specify findings reversed, so that the New York Court of Appeals was required to consider the Appellate Division's modification as one made solely upon the law, impliedly affirming the trial court's findings. This is simply untrue, *Ammirati* v. *Wire Forms, Inc.*, 298 N.Y. 697, *Matter of Zellner*, 299 N.Y. 243, Cohen & Karger, *Powers of the New York Court of Appeals* (rev. ed.) p. 545. It is, moreover, apparent, from the Court of Appeals' decision that it did not do so.

efforts to promote" respondent's books, it rejected the trial court's findings that would have sustained its view that there had been a breach by the book publisher of its implicit contractual obligation of good faith and fair dealing. The New York Court of Appeals expressly so recognized. It observed in its decision that the Appellate Division, in contrast to the trial court, "found there had been no breach" of such obligation (A.8). It expressly characterized the Appellate Division's determination as a finding that there had been a "narrow breach" of the book publisher's "best efforts" obligation (A.10).

Upon petitioners' and respondent's appeals from the Appellate Division's order, the New York Court of Appeals had power to review only questions of law. It would, of course, take to be so any facts supported by evidence which were undisputed by the parties. But as to other facts, the New York Court of Appeals had to assume that the facts were whatever would be consistent with the Appellate Division's determination. Thus, the impliedly affirmed findings were those respecting facts reflected in the trial court's own determinations that the book publisher's "best efforts" promise had been breached (its conclusions 6 through 8, R.I.58-9). In addition, the New York Court of Appeals, in considering those findings which had been affirmed, was nonetheless bound to disregard facts they set forth to the extent not supported by any evidence, since, under New York practice, whether an affirmed finding is supported by "some" evidence, so as to be legally sufficient, is itself considered a question of law within the New York Court of Appeals' powers to review, Karger, *"The New York Court*

of Appeals: Some Aspects of the Limitation on Its Jurisdiction," Record of the Association of the Bar of the City of New York, Vol. 27, No. 6 (June, 1972), pp. 365-366, Cohen & Karger, *Powers of the New York Court of Appeals* (rev. ed.) p. 491.

Thus, when the Court of Appeals' decision begins its description of the facts of this case with the phrase,

> "Assuming the facts most favorable to the author, consistently with the findings which have been affirmed by the Appellate Division," (A.6),

it is there setting forth the facts of the case *most favorable to respondent* here, (1) as reflected by the trial court's findings which the Appellate Division affirmed, in so far as supported by any legally sufficient evidence, and (2) as were undisputed by the parties. That description of the case is markedly different from what is said in respondent's opposing brief, in some more salient particulars, as follows.

1. The Court of Appeals' decision does *not* describe Mileaf's books as "similar in appearance" to Van Valkenburgh's, for the undoubted reason (since they were physical evidence before it) that it did not think they evidenced similarity of appearance. Nor did it find worthy of observation the undisputed fact that both are published as books of the same size in both individual paperback and combined hardbound book forms.[1]

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1. All the book publisher's other books in evidence were also the same size (Exhs. 19, 109, CI and CS), and the uncontroverted documentary evidence showed it customarily publishes longer works both as sets of individual paperback volumes and in combined volume hardbound book form (see Exh. 52).

2. The Court of Appeals' decision does *not* describe Mileaf's books as "imitations" of respondent's. That word is simply respondent's counsel's favored pejorative for describing the uncontroverted fact that both books have the same public domain characteristic, namely, in the Court of Appeals' phrase, their "method of organizing, presenting and picturing" material, or as the trial court described it, their "manner" of presenting information as "separate . . . generally self-contained unit[s] . . . [e]ach . . . presented on one or a multiple of a page, and . . . almost each . . . hav[ing] one or more illustrations portraying the single or related subjects" (opposing brief, pp. 3-4), or as petitioners have attempted to more articulately indicate: the books have a common format characteristic of presenting information in short textual units, one to a few whole pages in length, containing illustrations dealing with their subject matter. The Court of Appeals' decision does not say *and the trial court did not find* that this characteristic of the Van Valkenburgh books was or ever had been unique or unusual either generally or to books on electricity and electronics fundamentals.

3. The Court of Appeals' decision does *not* say that the book publisher arranged preparation of Mileaf's books to appropriate any part of the market for respondent's books or to avoid paying high royalties to it. This finding of the trial court was wholly unsupported by any evidence; it made no sense, since it was clearly against the book publisher's own interests in view of the trial court's own other findings that the book publisher's profits on respondent's books were very high (R.I.24) and that Mileaf's books cost it twice as much, per volume, as respondent's books to produce (R.I.55); and it had obviously been reversed

by the Appellate Division's rejection of the trial court's determination that Mileaf's books were published in bad faith (A.8).[1]

4. The Appellate Division had impliedly affirmed the trial court's findings that the book publisher "reduced" and "suspended" advertising for respondent's books "through March 1967" (R.I.51). The Court of Appeals' decision shows that to the extent these findings were supported by evidence, they related to a "suspension" of "the magazine advertisement" for the Van Valkenburgh books "in early 1967," (A.7).[2] But, the judgment here covers publication of the Mileaf books without limitation to any such period, and it is undisputed that their publication began in 1966 (A.7) and continued through the end of trial in September 1968 (A.33) and thereafter.

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1. There was, moreover, no evidence whatever in this case of any "appropriation" (in any sense of that word) of the market for respondent's books. The uncontroverted evidence showed that their sales continued during the period of publication of the Mileaf books covered by the trial substantially unchanged from that they had been during the like preceding period (see A.11) 1. Respondent conceded at the close of trial that it had not proved that any sale of any Mileaf books had occurred "in place of" sales of its books (R.5526). Of the 2 of the 7 major industrial purchasers of respondent's books identified by the record (R.1300, 1303, 1306) to whom the evidence showed that the Mileaf books were offered by the book publisher in 1967, one, the International Brotherhood of Electrical Workers, was shown to have considered purchase of Mileaf's books for training programs for which it had previously abandoned or never used respondent's books, except for 1 volume thereof, due to what the IBEW regarded as their excessive simplicity (R.3352-3, 3366, 3369), but to have rejected Mileaf's books because of their substantially higher level (R.3380) than those programs involved, and the other, Western Electric (the Bell Telephone Companies) was shown by respondent itself to have purchased its books at a higher rate in 1967, while purchasing some Mileaf books, than it had done the preceding year, before doing so (R.1267-9).

2. It was uncontroverted that the advertisement involved was published in April 1967 (Exh. 86, R.1752-3, R.1717), and the documentary evidence showed more advertising of Van Valkenburgh's books in 1967 as a whole than in 1966.

5. Respondent's statement that the book publisher directed its salesmen to sell the Mileaf books exclusively is entirely false. The evidence of the continued sale of the Van Valkenburgh books after publication of the Mileaf books was uncontroverted (A.11). The Court of Appeals' decision merely states that the record (Exh. 95) showed (A.7) that the book publisher's sales staff spent a large part of its time during the 8 weeks preceding March 21, 1967 (when the Mileaf books were most new) in promoting them.

The Judgment Is Not Based on an Adequate and Independent State Ground

Respondent's brief does not dispute that the federal question presented by the petition for certiorari is substantial and important, and reflects a claim of right under federal law and public policy properly and consistently asserted by petitioners throughout the case in defense thereof. That claim has been that interpretation and enforcement of respondent's rights under its contract with the book publisher so as to allow it recovery in this action for the book publisher's publication of the competing Mileaf books unlawfully (as a matter of federal law) restrains competition, expands respondent's copyright monopoly and awards it compensation for a competitor's exploitation of ideas which are public domain. Yet, respondent's brief in opposition argues (pp. 7-11) that the judgment is not reviewable by this Court because it is "based on an adequate and independent state ground."

Under this recognized principle of this Court's jurisdiction, a state court judgment is *not* based upon "adequate

and independent state grounds" simply because the state court has failed to expressly found its decision upon consideration of the claim of federal right asserted to it, *Chapman* v. *Goodnow's Administrator,* 123 U.S. 540, 548, *West Chicago R. Co.* v. *Chicago,* 201 U.S. 506, 519-520, nor even because the state court has expressly stated that its determination was based on state grounds, either because it genuinely thought so, *Chicago B. & C. R. Co.* v. *Drainage Commissioners,* 200 U.S. 561, 579-581, *Columbia Ry.* v. *South Carolina,* 261 U.S. 236, 244-245, or was deliberately attempting to evade consideration of a properly asserted claim of federal right, *Ward* v. *Love County,* 253 U.S. 17, 21-22.

The test of "adequate and independent state grounds" has never been what the state court *did,* but whether it was necessary for it to have considered and passed upon the claim of federal right asserted, to determine the cause before it and render the judgment that it did. The pertinent cases cited by respondent, as well as those above, so indicate. As stated in *Lynch* v. *New York,* 293 U.S. 52 at 54, the rule is,

> "not only that the federal question was presented for jurisdiction to the highest court of the State having jurisdiction but that *its decision of the federal question was necessary to the determination of the cause,* and that it was actually decided *or that the judgment as rendered could not have been given without deciding it.*" (emph. added)

Additionally, a state court judgment does *not* rest on an "adequate and independent state ground" if the state ground is not broad enough, without reference to the fed-

eral question, to sustain the judgment, *Murdock* v. *Memphis,* 20 Wall. 590, 636, *Eustis* v. *Bolles,* 150 U.S. 361, 370, or if "interwoven with," rather than independent of, the federal claim raised, *Enterprise Irrig. Dist.* v. *Farmers Mutual Canal Co.,* 243 U.S. 157, 164, or if untenable, *Ward* v. *Love County,* 253 U.S. 17, 22, or insubstantial, *Williams* v. *Kaiser,* 232 U.S. 471, or a device to prevent decision of the federal question, *Enterprise Irrig. Dist.* v. *Farmers Mutual Canal Co., supra, Postal Tel. Cable Co.* v. *Newport,* 247 U.S. 464, 475-6, *Lawrence* v. *State Tax Commission,* 286 U.S. 276, 282.

Here, respondent contends that the Court of Appeals' judgment (A.2-4) rests on an adequate state ground independent of petitioners' claim of federal right undisputedly raised before it despite the glaring fact that the judgment in this case allowed by the Appellate Division's order (A.15-18), which the New York Court of Appeals' judgment affirms (A.3), expressly decrees that respondent recover "all . . . loss or damage sustained in consequence of the publication of" Mileaf's books (A.31) and even further adjudges, in advance of any trial given to petitioners of issues of damages, that respondent "have judgment for" amounts of 15% of the retail list prices of all copies of Mileaf's books sold (A.29).

That "adequate and independent state ground" is said to be that the Court of Appeals "did not have jurisdiction, in this case, to determine the federal question" presented to it by petitioners (opp. brief, p. 7). That lack of jurisdiction is said to have existed because the Appellate Division's "order granting permission to appeal limited

the . . . Court of Appeals to a consideration of the issues of law decided by the Appellate Division, which were 'that there was no fiduciary relation . . . ; that there was a breach . . . of a specific undertaking of the contract; and that money damages were a sufficient measure for the breach' " (opp. brief, p. 9). This, in turn, is said to have been so because the Court of Appeals "stated in its opinion, that it did not have jurisdiction to consider any other question on the appeal" (opp. brief, p. 9).

Respondent's contention is utterly without merit. It is premised upon a false representation to this Court of the orders of the Appellate Division granting permission to appeal. Its orders granting all parties permission to appeal are set forth in an appendix to this reply brief and were part of the record on appeal to the New York Court of Appeals.[1] The question certified thereto in the Appellate Division's orders granting petitioners permission to appeal was:

> "Was the order of this Court entered on February 6, 1970, which modified the judgment of the Supreme Court, properly made?"

This kind of certified question empowered the New York Court of Appeals to review *all* issues of law in the case raised by the Appellate Division's order, *Erie R. Co.* v. *Sells,* 298 N.Y. 58, 60, Cohen & Karger, *Powers of the New York Court of Appeals* (rev. ed.) p. 370, fn. 1. The Court of Appeals thus had jurisdiction to review *any* claim asserted to it that the Appellate Division's order was erroneous in any respect as a matter of law—state or federal. That alone was the broad limit of its power to review, *Mohnmann* v. *Kobb,* 291 N.Y. 181, 190.

1. See Vol. A of the record on appeal, pp. 17 *et seq.*

Thus, when petitioners contended to the New York Court of Appeals that the Appellate Division's order was erroneous as a matter of law in holding them liable for publication of Mileaf's books because federal law precluded imposition of liability therefor, that Court had jurisdiction to consider the question.

Moreover, in determining the appeals taken to it, the Court of Appeals was required by New York law to pass upon and answer the question certified, CPLR 5614, and it did so (A.3). The order it had to review was one affirming the trial court's judgment as modified thereby (A.18), thus allowing a judgment against petitioners in this case for respondent's damages *"sustained . . . in consequence of the publication of"* Mileaf's books (A.31, emph. added).

Under New York substantive law, damages recoverable for breach of contract are those resulting from the conduct which breaches the contract. See 13 *New York Jurisprudence,* pp. 471, 481, and cases there cited. Thus, unless the book publisher had breached its contract to use "best efforts to promote" respondent's books by publishing Mileaf's books generally, and not simply by some neglect to have promoted Van Valkenburgh's books for sale themselves while doing so, the Appellate Division's order was not "properly made" under New York law.

The Court of Appeals therefore had to consider whether the book publisher was within its claimed federal right asserted or had breached its contractual obligation to promote Van Valkenburgh's books *by publishing* Mileaf's books. It expressly so recognized. Long before the near

conclusory portion of its decision respondent cites, the Court's decision expressly stated:

> "To decide this author-publisher controversy it is *necessary* to see . . . *especially* what are the rights of a publisher as to the production of other works competing with the specific work of an author's," (A.8, emph. added),

and its decision then proceeds to state that while such a contract as made here does not "close off the right of a publisher" to develop and publish competing works (A.9), nevertheless, that "general freedom of the publisher to produce competing works" was not the answer to the litigation because "there may be a point where that activity is so manifestly harmful to the author . . . as to justify the court in saying there was a breach of the covenant to promote the author's work." (A.10).[1]

In sum, the New York Court of Appeals had to decide whether or not and, if so, to what extent, the book publisher's contractual promise to promote respondent's books impliedly restricted it, and was enforceable as a matter of law as a promise impliedly restricting it, from publishing competing books, and, if so, whether the obligation was breached by publication of the Mileaf books. It did so, both expressly in its decision and by the necessary effect of its judgment (A.2-4).

1. It may be noted that the syllabus of the case stated by the West Digest State Reporter at 330 N.Y.S. 2nd 329 says: "The Court of Appeals, Bergan, J., held that although a publisher has a general right to produce competing works even though there may be lessening of author's royalties, there may be a point where such activity is so manifestly harmful to author, and must have been seen by publisher so to be harmful, as to justify court in saying there was a breach of covenant to promote author's works."

The Court of Appeals may genuinely have thought that it could decide the above questions without consideration of petitioners' claim of right under federal law asserted to it,[1] or it may have been deliberately avoiding all reference to that claim in order to circumvent it. Whichever it did is immaterial. Petitioners' claim was that federal law precluded imposition of liability for publication of Mileaf's books by interpretation and enforcement of respondent's rights under state law, and the Court of Appeals necessarily had to consider that claim to make the judgment of affirmance of the Appellate Division's order as "properly made," which it made (A.3). This Court has only to assume that the answer to the question presented in the petition for certiorari is "yes" to recognize that the judgment rendered could not then stand. Indeed, it is to obtain a genuine review of that claim of federal right completely improperly disregarded by the New York Court of Appeals that the petition for certiorari has been made.

There is a second branch of respondent's argument that the judgment is based "on an adequate and independent state ground" which appears at pp. 9-11 of its opposing brief. There, respondent asserts that petitioners are wrong in their view of the Court of Appeals' holding (opp. brief, p. 9), because all it held was that the "specific conduct . . . of the Publisher . . . . set out at pages 3 to 5" of its brief—which it characterizes as "appropriation of the market" and "suppression of advertising" for its books (opp. brief, pp. 9-10)—was a breach of the book publisher

1. Its view of federal law of patent licenses seemed to be that under federal law patentees can restrict their licensees' freedom to deal in competing products by obtaining express agreements to such effect (A.9).

"to promote" them (opp. brief, p. 9), and that "it is not, in order to reach that conclusion, necessary to pass on the" federal question presented in the petition (opp. brief, p. 10). It further urges that "Even if . . . the court below had to consider and decide a federal question in reaching its judgment, the mere fact that a federal question may have been involved . . . does not convert the state issue into a federal question that this Court may consider" (opp. brief, pp. 10-11). This branch of respondent's argument is equally without merit.

1st. Respondent's description of the book publisher's conduct described at pp. 3-5 of its brief does not accurately reflect the facts of this case as recognized by the New York Court of Appeals. (See its description of the assumed "facts most favorable to the author" in its decision, A.6-8 and 11).

2nd. Respondent's assertion that the Court of Appeals did not hold that the publication of "manifestly harmful" competing books breaches a book publisher's contractual obligation to promote licensed literary works is utterly contrary to its own prior assertion in this case.[1]

1. Upon the petitioners' motion for reargument to the New York Court of Appeals, respondent, in its brief opposing the motion, said: "the Court in discussing the general right of a publisher to publish books that compete with others that it also publishes, wrote: 'But this general freedom of action of the publisher to produce competing works is not necessarily the answer to this litigation * * * there may be a point where that activity is so manifestly harmful to the author, and must have been seen by the publisher so to be harmful, as to justify the court in saying there was a breach of the covenant to promote the author's work.' It is clear from the foregoing that the Court considered publication of the Mileaf books as a violation of the Publisher's promise to use its best efforts to advance the Author's books. There is no rational basis for . . . claim that the Court intended to say something to the contrary."

3rd. As petitioners have attempted to make clear by the discussion at fn. 1, pp. 12-13 of their petition, they do not seek certiorari to have this Court review imposition of liability upon them for any "suppression of advertising" or other neglect of the book publisher to have promoted respondent's books themselves for sale. Active promotion of the respondent's books *themselves* to public for purchase precisely what petitioners contended was and was the intended, customary, and legally proper limit of what the book publisher's "best efforts" promise required. But as petitioners have shown, the judgment here does not simply or primarily hold them liable for any such conduct. Respondent does not dispute that there was simply no evidence of any neglect of the slightest sort to have promoted the Van Valkenburgh books during 1966 or after early 1967. The judgment in this case could not be and was not sustained on such a basis; it awards damages "in consequence of the publication of" Mileaf's books (A.31).[1]

4th. The Court of Appeals' decision here *nowhere* discusses the case in terms of "appropriating the market" for respondent's books. It does so simply in terms of the publication of competing books whose publication is "manifestly," or obviously, "harmful" to continued sales of respondent's books. It is not even the *degree* of "harm" upon which the decision rests,[2] but the apparentness or "manifestness" of some harm. Respondent's choice of language

1. Nor could the judgment be sustained upon some state view that use of non-confusing similar advertising for the Mileaf books as was used for the Van Valkenburgh books breached the "best efforts" promise. Again, as respondent does not dispute, there was simply no evidence of any advertising for the Mileaf books after 1967.

2. The degree of harm to continued sales of respondent's books was never factually determined. See the Court of Appeals' statements in its decision at A.11.

simply reveals its view that the market for books on electricity and electronics fundamentals is, as respects the book publisher, its private fiefdom, and that competition with its books by the book publisher amounts to "appropriating" what belongs to it. Petitioners' claim of federal right was *precisely* that this is not so, and that it has no obligation to refrain from publishing admittedly newer, more comprehensive, competing Mileaf books. That claim was directly opposed to respondent's claim to recover damages in this case for their publication. Thus, even had the Court of Appeals' view had been expressed in terms of "appropriating the market" for respondent's books, petitioners' claim of federal right would have to be passed upon.

5th. Respondent's argument that, granting it was necessary for the Court of Appeals to have considered petitioners' claim of federal right to decide the case, the judgment is still not reviewable because that "does not convert the state issue into a federal question that this Court may consider," is patently incorrect. The state ground is then "interwoven with," and not "independent" of, the claim of federal right. If the defense was well taken, the interpretation and enforcement of the "best efforts" promise as one breached by the publication of "manifestly harmful" competing books is unlawful under federal law, and the Court of Appeals' judgment is erroneous.

What this case, like *Lear, Inc.* v. *Adkins,* 395 U.S. 653, obviously involves, are the conflicting claims of respondent under state contract law and of the petitioners under federal law. Respondent sued to recover for the petitioner book publisher's breach of obligations under state law by

publishing certain competing books. It ultimately succeeded only because of the New York Court of Appeals' view that the book publisher's contractual obligation to promote its books was breached by the publication of "manifestly harmful" competing books. Petitioners' opposing claim was that federal law gave the publisher the right to publish such books and subject respondent to risk of such harm in its own and the public's interest. The claims of right were diametrically opposed, and there could be no "adequate and independent state ground" upon which the judgment was sustainable.

The Judgment Is "Final" Within 28 U.S.C. Sec. 1257

The brief in opposition argues that the Court lacks jurisdiction to review the New York Court of Appeals' judgment (A.2-4) because it is not "final" as required by 28 U.S.C. Sec. 1257. The argument is (1) that the judgment it affirmed was denominated "interlocutory" in the proceedings in the New York Courts (opp. brief, p. 12), (2) that it does not finally terminate the litigation in all respects on the merits, since it provides for an accounting before a referee to determine respondent's damages (opp. brief, pp. 12, 14) to be awarded by a "final" judgment, and (3) that, while this Court has "on occasion, relaxed the rule with respect to finality where there was a practical necessity for deciding a separate and independent federal question, before the parties [were] subjected to 'long and complex litigation which may all be for naught,' " that "This obviously is not such a case," (opp. brief, p. 11).

Respondent's contention that the judgment affirmed by the New York Court of Appeals was designated "interlocutory" in the New York courts is true but immaterial. The test of "finality" is one of federal law, which is not dependent upon whether a judgment is "final" or "interlocutory" under state law, *Department of Banking* v. *Pink*, 317 U.S. 264, 268, *Richfield Oil Corp.* v. *State Board*, 329 U.S. 69, 72, and different considerations apply, *Gotthilf* v. *Sills*, 375 U.S. 79.

Here, the Court of Appeals' judgment is "final" in the real sense that by adjudging that the Appellate Division's order "affirmed" because "properly made" (A.3, A.4), that Court has in fact adjudicated that respondent is entitled in this action to recover damages sustained "in consequence of the publication" of the Mileaf books (A.31). There appears no way under New York procedural law by which petitioners can obtain a further review of that determination by a New York court.[1] Moreover, the judgment thus

1. Under New York practice, once the referee conducts his hearing (which he has postponed, for personal reasons, to November, 1972) and renders his report to the New York Supreme Court, and a judgment for respondent's damages denominated "final" under New York procedural law is then entered in that Court, petitioners will be able to appeal from that "final" judgment to the Appellate Division, CPLR 5701 (a), and, possibly, even to the New York Court of Appeals from the Appellate Division's determination of such an appeal. But, in neither case would petitioners, upon any such appeals, have ability to obtain a review of the New York Court of Appeals' judgment (A.2-4) now rendered herein. CPLR 5501(a), governing the scope of appellate review of "final" judgments under New York practice, provides that they bring up for review "any non-final judgment or order which necessarily affects the final judgment" only where "that non-final judgment or order has not previously been reviewed by the court to which the appeal is taken." New York appellate courts will not review a second time questions examined and determined upon former appeals in the same case, *Osborn* v. *Cardeza*, 208 N.Y. 131, *Adams* v. *Bristol*, 126 A.D. 660, 111 N.Y.S. 231, affd. 196 N.Y.

affirmed further specifies that "respondent shall have judgment . . . in the amounts (plus appropriate interest) of fifteen per cent (15%) of the retail price of all copies" of Mileaf books sold (A.29).

Accepting *arguendo* that this Court formerly interpreted the requirement of "finality" of 28 U.S.C. Sec. 1257 as requiring a judgment which finally terminated the litigation in all respects, it appears clear from this Court's more recent decisions, such as *Radio Station WOW* v. *Johnson*, 326 U.S. 120, *Mercantile National Bank* v. *Langdau*, 371 U.S. 555, 557-8, and *Hudson Distributors* v. *Eli Lilly & Co.*, 377 U.S. 386, 389, n. 4, that this Court no longer does so, and that it is not barred from reviewing an important federal question because further proceedings are contemplated under the judgment sought to be reviewed, especially where the further contemplated proceeding will lead "inexorably" to judgment against the petitioners based upon the determination already made, *Mills* v. *Alabama*, 384 U.S. 214, 217-218, *Local 438* v. *Curry*, 371 U.S. 542, *Pope* v. *Atlantic Coast Line R.R.*, 345 U.S. 379, 381-3, or where the judgment made threatens petitioners with irreparable

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510, *Barber* v. *Rowe*, 200 A.D. 290, 193 N.Y.S. 157, affd. 235 N.Y. 549, *Roth* v. *Zaidenberg*, 272 A.D. 726, 74 N.Y.S.2d 456, affd. 298 N.Y. 809, 10 *Carmody-Wait 2d, Cyclopedia of New York Practice*, pp. 570-1 and 588. It appears that New York appellate courts will simply regard their prior reviewed determinations, whether right or wrong, as simply the "law of the case", *Kirkwood* v. *Smith*, 132 A.D. 578, 117 N.Y.S. 686, *Nelson* v. *Nahtel Corp.*, 247 A.D. 221, 289 N.Y.S 201, 10 *Carmody-Wait 2d* pp. 667-8, and that an appeal from the determination made by the New York Court of Appeals' judgment rendered herein as part of an appeal from such a "final" judgment would even be dismissed, without consideration, *No. 37 & No. 30 Attorney Street, Inc.* v. *Kirshbaum*, 261 A.D. 215, 24 N.Y.S. 2d 766. If this Court were to regard such a refusal to review petitioner's federal claim of right in an appeal thus taken from such a "final" judgment, as based on an "adequate state law ground", petitioners could never obtain a review by this Court of the federal claim they have consistently asserted.

harm, *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541, *California* v. *Stewart*, 384 U.S. 436. In the *Hudson* case, this Court held "final" for purposes of review a preliminary Ohio judgment declaring a state statute valid as against a contention that it was unconstitutional despite further proceedings on state law issues yet to be held in the case. In *Radio Station WOW*, this Court held "final" for purposes of review a state court judgment adjudicating issues of liability and requiring an accounting yet to be had because,

> "the Federal questions that could come here have been adjudicated by the State court, and the accounting which remains to be taken could not remotely give rise to a Federal question."

That is precisely this case. Here, the issues petitioners seek to have reviewed are issues that liability could not properly have been imposed upon them for publication of Mileaf's books as a matter of federal law, and the further accounting proceedings contemplated "as an item for the ascertaining and calculation of damages" (A.17) according to a royalty formula arbitrarily prescribed (A.29) cannot conceivably give rise to a federal question.

It is true that in the *Radio Station WOW* case, an immediate delivery of property was decreed by the judgment involved, and that is no longer this case. But, in light of the Court's subsequent decisions, it is difficult to see why this distinction should be of consequence. Once the federal issue has been finally adjudicated by the highest state court in which a decision can be had, and no possibility exists that the issues may become "moot" by further proceedings, there simply is no recognizable reason for not regarding the judgment as "final" for purposes

of review. Surely, the essential purpose of the "finality" rule, which is to provide a smooth and harmonious state court-Supreme Court relationship is not dis-served in the slightest by recognizing the judgment here as "final".

The judgment affirmed contemplates further proceedings to determine the respondent's damages. But the provisions of such order make a substantial judgment against petitioners an inevitable result since it specifies that the plaintiff "shall have judgment . . . in the amounts (plus appropriate interest) of fifteen percent (15%) of the retail list price of all copies" of the Mileaf books sold (A.29). It is conceded that the petitioners sold substantial numbers of Mileaf books (A.11). There is no dispute as to their list price. The judgment awards damages "in consequence of the publication" of the Mileaf books. It is thus clear that, under the judgment, a response to the question as to the number of books sold leads "inexorably" to a substantial judgment against the petitioners and is final in every sense. There is no remote possibility of any federal question being raised in the calculation of this amount.

Nowhere, in any further state proceedings, can the petitioner raise the federal question now raised before this Court. Nor, in view of the mandatory decree of a substantial judgment based on the mathematical formula prescribed, is there any chance that the further state proceedings would make the question moot.

The judgment here leads inevitably to further lengthy proceedings before the referee "which may all be for

naught" if petitioners' federal contention is well taken but review is postponed until after such proceedings are held and appeals therefrom litigated through the New York appellate courts.

Most importantly, it is clear that the judgment threatens petitioners with irreparable harm if this Court were to delay review of the federal question involved until after all further state court proceedings were completed. While it is true that the judgment does not enjoin continued publication of the Mileaf books, their continued publication is nonetheless at stake. The book publisher cannot afford to indefinitely continue publication of books which New York's highest court has held to breach its contractual obligation to respondent, especially at the arbitrarily pre-judged artificial measure of damages it has permitted to stand, at the risk of incurring further substantial liability to respondent, in the expectation that this Court will, in the future, grant review of a later petition for certiorari from a judgment teminating the litigation. The Mileaf books have proved extremely successful for use in educational programs throughout the country. But schools depend upon their continued ability to re-order books selected for classroom use, and would abandon purchase of the Mileaf books if their publication were discontinued. Books on science and technology subjects all unevitably depreciate in value with the passage of time as new developments occur in the fields with which they deal. Thus, if the book publisher discontinues publication of the Mileaf books until such a possible review is obtainable in the future, the value of the Mileaf books will have been destroyed, and the book publisher will have irreparably lost substantial revenues it would have realized had their publication continued.

Finally, if the judgment is not reviewed now for a want of finality, but petitioners' federal claim of right is vindicated at some later date, in the interim an erroneous ruling of the New York Court of Appeals will have served as the only legal ruling respecting licensees' freedom of competition available in the field of copyright monopoly, and that ruling seriously and obviously undermines the federal law of licensee freedom of competition, by inhibiting their publication of competing educational books.

Requests

1. If this Court should deny the petition for certiorari for a lack of "finality" of the judgment sought to be reviewed, petitioners' respectfully request that the Court's order denying the petition so indicate.

2. Petitioners have shown (p. 14 of the petition) and respondent has not disputed that the federal question presented by the petition for certiorari was duly and properly raised by petitioners before the New York Court of Appeals.[1] If, however, this Court doubts that this is adequate-

1. In addition to petitioners' first affirmative defense to the action based upon the antitrust laws of the United States referred to at p. 13 of the petition, they also alleged, as a second affirmative defense, that since respondent's books were copyrighted under the laws of the United States, it had no legal right to prohibit publication, distribution or sale of any book by them on grounds that it had some similar public domain characteristic as respondent's books (R.I.74). The two defenses were obviously inter-related and asserted together upon petitioners' appeals in the New York appellate courts. See the portions of their briefs on appeals referred to at p. 14 of the petition, on file with the Clerk's Office. The issues were raised by points in briefs on appeal because, under New York practice, this is the only way that claims of errors may be raised upon appeals, as this Court has recognized, *Bryant* v. *Zimmerman,* 278 U.S. 63, 68.

ly shown, petitioners respectfully request that they be so advised and that consideration of the petition be deferred to accord them an opportunity to obtain a certificate from the New York Court of Appeals so indicating.

3. If the Court believes that it was necessary for the New York Court of Appeals to decide the federal question raised by the petition to have rendered its judgment in this case, but that the New York Court of Appeals did not actually do so, petitioners suggest that it is appropriate and request that its judgment be vacated and the case remanded to the New York Court of Appeals for such purpose.

Respectfully submitted,

JOHN E. HAIGNEY
41 East 42nd Street
New York, New York 10017

Counsel for Petitioners

August 23, 1972

APPENDIX

Appellate Division's Order Granting Hayden Publishing Company, Inc., Permission to Appeal to the Court of Appeals

At a term of the Appellate Division of the Supreme Court held in and for the First Judicial Department in the County of New York, on the 5th day of May, 1970.

Present

Hon. Harold A. Stevens, Presiding Justice,
Samuel W. Eager,
Louis J. Capozzoli,
Emilio Nunez,
James B. M. McNally, Justices.

M-2984

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent,

against

HAYDEN PUBLISHING COMPANY, INC., and
HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants.

The above-named defendant-appellant Hayden Publishing Company, Inc. having moved for leave to appeal to the Court of Appeals from the order of this Court entered on February 6, 1970,

Appendix—Appellate Division's Order

Now, upon reading and filing the notice of motion, with proof of due service thereof, and the affidavits of John E. Haigney in support of said motion, and the affidavit of Ephraim S. London in opposition thereto, and after hearing Mr. John E. Haigney for the motion, and Mr. Ephraim S. London opposed,

It is ordered that said motion be and the same hereby is granted, and this Court, pursuant to CPLR 5713, certifies that the following question of law, decisive of the correctness of its determination has arisen, which in its opinion ought to be reviewed by the Court of Appeals:

> "Was the order of this Court entered on February 6, 1970, which modified the judgment of the Supreme Court, properly made?"

This Court further certifies that its determination was made as a matter of law and not in the exercise of discretion.

Enter:

Hyman W. Gamso
Clerk

Appellate Division's Order Granting Hayden Book Company, Inc., Permission to Appeal to the Court of Appeals

At a term of the Appellate Division of the Supreme Court held in and for the First Judicial Department in the County of New York, on the 5th day of May, 1970.

Present

Hon. Harold A. Stevens, Presiding Justice,
Samuel W. Eager,
Louis J. Capozzoli,
Emilio Nunez,
James B. M. McNally, Justices.

M-3117

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent,

against

HAYDEN PUBLISHING COMPANY, INC., and
HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants.

The above-named defendant-appellant Hayden Book Company, Inc. having moved for leave to appeal to the Court of Appeals from the order of this Court entered on February 6, 1970,

Appendix—Appellate Division's Order

Now, upon reading and filing the notice of motion, with proof of due service thereof, and the affidavits of Ronald M. Glick in support of said motion, and the affidavit of Ephraim London in opposition thereto, and after hearing Mr. Ronald M. Glick for the motion, and Mr. Ephraim S. London opposed,

It is ordered that said motion be and the same hereby is granted, and this Court, pursuant to CPLR 5713, certifies that the following question of law, decisive of the correctness of its determination has arisen, which in its opinion ought to be reviewed by the Court of Appeals:

> "Was the order of this Court entered on February 6, 1970, which modified the judgment of the Supreme Court, properly made?"

This Court further certifies that its determination was made as a matter of law and not in the exercise of discretion.

Enter:

Hyman W. Gamso
Clerk

Appellate Division's Resettled Order Granting Van Valkenburgh, Nooger & Neville, Inc., Permission to Appeal to the Court of Appeals

At a term of the Appellate Division of the Supreme Court held in and for the First Judicial Department in the County of New York, on May 27, 1971.

Present

Hon. Harold A. Stevens, Presiding Justice,
Samuel W. Eager,
Louis J. Capozzoli,
Emilio Nunez,
James B. M. McNally, Justices.

M-6541

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent,

against

HAYDEN PUBLISHING COMPANY, INC., and
HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants.

An application having been made to this Court by the above-named plaintiff-respondent for an order resettling the order of this Court entered and filed in the office of the Clerk of this Court on May 5, 1970,

Appendix—Appellate Division's Resettled Order

Now, upon reading and filing the notice of motion, with proof of due service thereof, and the affidavits of Ephraim London in support of said motion, and the affidavits of John E. Haigney and the affidavit of Ronald M. Glick in opposition thereto, and after hearing Mr. Ephraim London for the motion, and Mr. John E. Haigney opposed,

It is ordered that said motion be and the same hereby is granted and the order of this Court entered on May 5, 1970 (M-3002) is resettled to read as follows:

> At a term of the Appellate Division of the Supreme Court held in and for the First Judicial Department in the County of New York, on the 5th day of May, 1970.

Present

Hon. Harold A. Stevens, Presiding Justice,
Samuel W. Eager,
Louis J. Capozzoli,
Emilio Nunez,
James B. M. McNally, Justices.

M-3002

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent,

against

HAYDEN PUBLISHING COMPANY, INC., and
HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants.

Appendix—Appellate Division's Resettled Order

The above-named plaintiff-respondent having moved for leave to appeal to the Court of Appeals from so much of the order of this Court entered on February 6, 1970, as modified the judgment of the Supreme Court, New York County, entered on December 10, 1968,

Now, upon reading and filing the notice of cross-motion, with proof of due service thereof, and the affidavit of Ephraim S. London in support of said motion, and the affidavit of Ronald M. Glick in opposition thereto, and after hearing Mr. Ephraim S. London for the motion, and Mr. Ronald M. Glick opposed,

It is ordered that said motion be and the same hereby is granted, and this Court, pursuant to CPLR 5713, certifies that the following question of law, decisive of the correctness of its determination has arisen, which in its opinion ought to be reviewed by the Court of Appeals:

> "Was the order of this Court, which modified the judgment of the Supreme Court, properly made?"

This Court further certifies that its determination was made as a matter of law and not in the exercise of discretion.

Enter:

/s/ Hyman W. Gamso
Clerk.

Enter:

Harold A. Stevens